annual report

2006

delta lloyd groep

the future secured

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contents

Delta Lloyd Group - Annual Report 2006

1 About Delta Lloyd Group

As a customer-focused and service-oriented financial service provider Delta Lloyd Group offers its customers security through risk insurance, income protection and wealth creation.

Operating under strong brand names – Delta Lloyd, OHRA and ABN AMRO Insurance – Delta Lloyd Group offers a broad range of products and services, varying from simple savings products to complex pension and insurance products and financial planning, through the customer's distribution channel of choice. In the Netherlands, Delta Lloyd works closely with independent insurance intermediaries. OHRA focuses directly on the personal and commercial customer, increasingly via the internet. ABN AMRO Insurance serves its customers through the extensive distribution network of ABN AMRO Bank.
Alongside its Dutch insurance operations, Delta Lloyd Group also has an asset management division and a banking division, as well as divisions in Germany and Belgium. Delta Lloyd Group's staff comprise a total of about 6,500 FTEs.

Mission

Delta Lloyd Group is an open financial service provider working on a secure future for and with all its stakeholders, based on integrity and sound entrepreneurship.

1.1 Working on a secure future

Delta Lloyd Group secures the future. That pledge entails a responsibility to safeguard the continuity of our business through solid and prudent entrepreneurship. In the interests of our customers, employees, shareholders and all other stakeholders.

Financial solidity has been a constant throughout the two hundred-year history of the Group. This translates into the strong awareness that a company that sells trust must itself be 100% reliable.

1.1.1 Entrepreneurship

Delta Lloyd Group sees integrity and sound entrepreneurship as the basis of commercial success. Clear principles on the way in which the company is governed and the business it conducts ultimately constitute the guarantee of good results.

Prudent entrepreneurship assures the financial solidity necessary to realise the Group's principal ambition: to provide security. Good solvency is of key importance in this connection. With a strong focus on long-term goals and continuity, Delta Lloyd Group is working on a secure future for and with all its stakeholders. The consistent way in which Delta Lloyd Group has worked over the past years on implementing and reinforcing its strategy has enabled the Group to grow into a powerful and solid business.

But the awareness that a company is not an island unto itself is equally essential to Delta Lloyd Group’s entrepreneurship. The Group sees social commitment as an essential part of its licence to operate. Just as social developments influence the company, the choices of the Group also have consequences for the future of its customers, employees, suppliers and, ultimately, society as a whole.

Acting on this realisation, Delta Lloyd Group is striving as a financial service provider to make a clear contribution to the progress and prosperity of society. This is by no means exclusively reflected in our support of numerous social and cultural initiatives through sponsoring, charity and donations. Taking social responsibility constitutes the basis of the way Delta Lloyd Group - and hence its entire staff - thinks and acts. One crucial guideline here is the core values of the Group. These values clarify what the Group stands for, give direction to Group policy and determine its corporate culture and identity both internally and to the outside world.

The integrity and accountability of management, as well as transparent reporting, are also of essential importance to Delta Lloyd Group’s entrepreneurship; these ensure that a genuinely lasting relationship can be built with all of the Group’s stakeholders.

1.1.2 Two hundred years of financial service

As an insurer with a history dating back two centuries, Delta Lloyd Group has a proven track record of continuity and reliability.

Delta Lloyd Group finds its roots in one of the oldest life insurers on mainland Europe: Hollandsche Societeit van Levensverzekeringen founded in Amsterdam in 1807. This ancestor was one of the very first life insurance companies to draw up premium tables based on scientific calculations instead of charging speculative premium rates.

Thanks to its strong long-term focus and consistent strategy, this 19th century company gradually evolved – through organic growth as well as alliances, mergers and acquisitions – into the present-day full financial service provider called Delta Lloyd Group.

Broadening of scope

In 1967, Hollandsche Societeit joined forces with Amstleven (Amsterdamse Maatschappij van Levensverzekeringen NV, a life insurance company set up in 1892) to form a new company called Delta. The combination considerably strengthened the position in the Dutch insurance and investment markets. Two years later, in 1969, the merger between Delta and Nedlloyd led to a further reinforcement and widening of the product range to include general insurance. The new listed company Delta Lloyd NV operated in the Dutch market through insurance intermediaries.

In the increasingly competitive national and international insurance world, the highly profitable Delta Lloyd was regarded as an attractive partner. In 1973, UK-based Commercial Union, a prominent insurer with an extensive international network, acquired the shares. This move opened up new opportunities for Delta Lloyd, which continued to operate autonomously in the Dutch market under its own brand name. Since the summer of 2002, after several mergers, the Group's principal shareholder has been called Aviva plc. This group occupies a leading position in Europe, but has operations worldwide and offers work to 58,000 people

Distribution power

In the 1990s Delta Lloyd mapped out a clear new course. As a medium-sized insurer with a single distribution channel – the insurance intermediaries – Delta Lloyd aimed to develop into a company with a top position in the market. To achieve this, Delta Lloyd decided to reinforce its distribution power through the multi-channel concept and to expand its sales market.

Improving access to customers is perceived within Delta Lloyd as the key to success in the insurance market. In 1999, Delta Lloyd merged with NUTS OHRA Management, thereby bringing a direct writer under its roof. In addition, both NUTS and OHRA contributed a large health insurance portfolio. Following this merger, Stichting Nuts Ohra has an interest of 8% in Delta Lloyd Group and Aviva holds 92% of the shares. In 2003, Delta Lloyd and ABN AMRO Bank established a joint venture in which Delta Lloyd acquired a majority stake of 51%. The joint venture has the exclusive right to sell insurance products through the distribution network of ABN AMRO Bank in the Netherlands. Customers in the Netherlands are now served through three distribution channels and three related brands: Delta Lloyd via the independent insurance intermediaries, OHRA via the direct channel and ABN AMRO Insurance via the Dutch branches of ABN AMRO Bank.

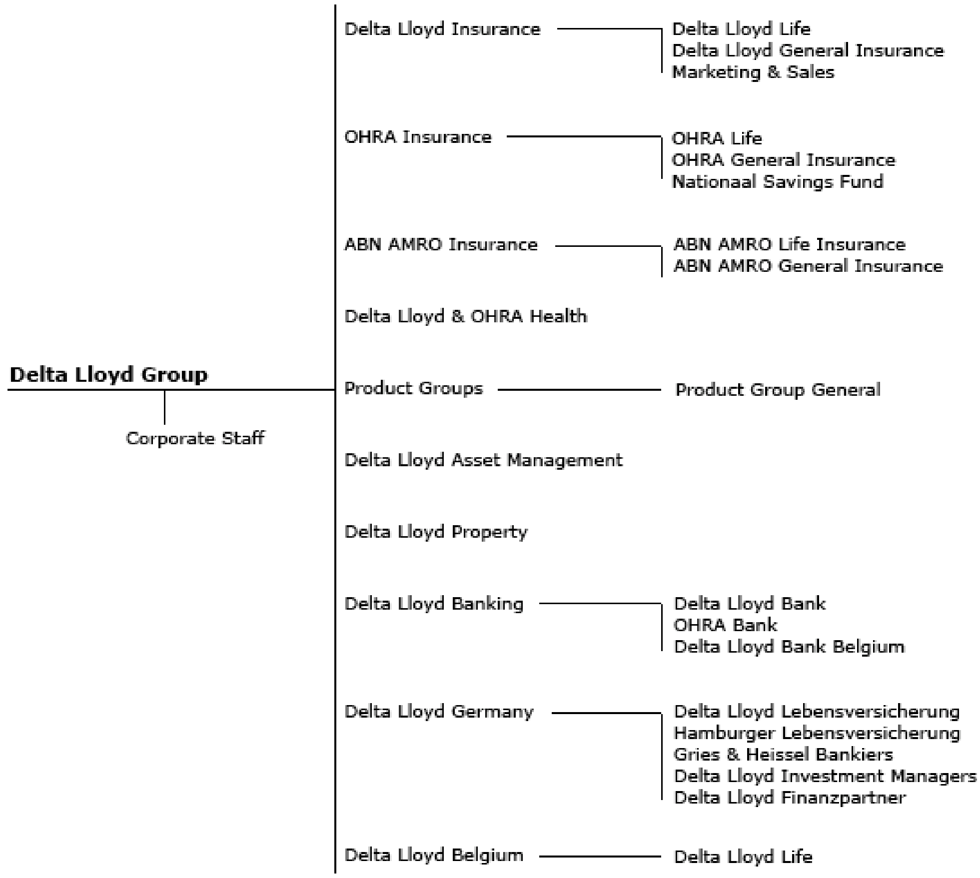
Expansion

In the early 1990s Delta Lloyd purchased the Dutch branch of a foreign bank, and continued the operation under the name Delta Lloyd Bank. In addition, Delta Lloyd sought expansion abroad. In Germany several companies, including Berlinische Lebensversicherung and Gries & Heissel Bankiers were taken over. These acquisitions, together with Delta Lloyd Investment Managers, form Delta Lloyd Germany. In Belgium, Delta Lloyd Life, which arose from the merger of a number of smaller companies in 1991, managed to secure a top ten position in the local life market within a few years. Alongside leveraging the important brokerage channel, this success was also largely attributable to the simultaneous creation of a strong distribution franchise: Delta Lloyd Bank. In Belgium, the bank has built a medium-sized bank branch network through the merger of Bankunie, Bank Limburg and Bank Nagelmackers 1747 and the opening of new sales outlets

Market leadership

By the start of the 21st century the Amsterdam-based life insurer founded in 1807 had developed into an international financial service provider with a focus on North-West Europe, a coherent group with different mutually supporting activities, with three strong brands and three different distribution channels. This has led to the creation of Delta Lloyd Group: a full-service financial service provider, offering a broad range of products and services through the distribution channel of the personal or commercial customer's choice. With its multi-channel and multi-label strategy Delta Lloyd Group has secured a strong position among the leading Dutch insurers. In Germany and Belgium, the first successful steps have been taken in these promising markets. In the coming years Delta Lloyd Group will continue to pursue its ambition of developing rapidly into a leading financial service provider in these countries as well.

1.2 Organisation chart



1.2.1 Supervisory Board and Executive Board

Supervisory Board

R.H.P.W. (René) Kottman, chairman
V.A.M. (Vincent) van der Burg, deputy chairman
J.A.N. (Jacques) van Dijk (chairman, until 31 May 2006)
H.C. (Caspar) Broeksma (until 31 May 2006)
C.P.J. (Peter) Appeldoorn
P.G. (Pamela) Boumeester
E.J. (Eric) Fischer (from 31 May 2006)
J.G. (Jan) Haars (from 31 May 2006)
R.J. (Richard) Harvey
Ph.G. (Philip) Scott (until 7 December 2006)
M.H.M. (Marcel) Smits
T. (Tidjane) Thiam (from 7 December 2006)

Executive Board

N.W. (Niek) Hoek, chairman
R.L.M. (Rob) Hillebrand (until 15 December 2006)
P.J.W.G. (Peter) Kok
P.K. (Paul) Medendorp
H.H. (Henk) Raué (from 1 January 2007)

1.2.1.1 Curriculum vitae

Curricula vitae of Supervisory Board members

R.H.P.W. (René) Kottman

Chairman
CURRENT POSITION
Chairman of the Board of Management of Ballast Nedam NV
SUPERVISORY BOARD MEMBERSHIP
Stichting Exploitatie Nederlandse Staatsloterij
NMC-Nijsse International BV
Wavin NV
Warmtebedrijf Rotterdam, chairman
Gemini Ziekenhuis, chairman
OTHER POSITIONS
Member of the Advisory Council of Van Spaendonck Groep BV
Board member of VU Medisch Centrum Fonds
Board member of Stichting Management Studies
Board member of De Baak
YEAR OF APPOINTMENT
1999
YEAR OF BIRTH
1945
NATIONALITY
Dutch

V.A.M. (Vincent) van der Burg

Deputy chairman
CURRENT POSITION
Independent legal adviser, Zeist
SUPERVISORY BOARD MEMBERSHIP
Nestlé Nederland BV
OTHER POSITIONS
Vice-chairman of Utrechts Archief
Member of the Executive Committee of the Dutch Dioceses Pension Fund
YEAR OF APPOINTMENT
1973
YEAR OF BIRTH
1945

NATIONALITY
Dutch

C.P.J. (Peter) Appeldoorn

CURRENT POSITION
Retired
FORMER POSITION
Chairman of the Executive Board of Royal Wegener NV
SUPERVISORY BOARD MEMBERSHIP
Terberg Leasing BV
YEAR OF APPOINTMENT
1999
YEAR OF BIRTH
1938
NATIONALITY
Dutch

P.G. (Pamela) Boumeester

CURRENT POSITION
Board chairman of NS Poort
OTHER POSITIONS
Chairman of the Board of Overseers of Informatie Beheer Groep
Chairman of the Advisory Council of the Alumni Association of Groningen State University
Member of the Development Council of Nederlandse vereniging van opleidings- en onderwijskunde (NVVVO)
Member of the Advisory Council of Instituut voor Arbeidsvraagstukken (IVA)
Member of the Board of Overseers of Utrechts Landschap
Member of the Executive Committee of Stichting K.F. Hein Fonds
YEAR OF APPOINTMENT
2003
YEAR OF BIRTH
1958
NATIONALITY
Dutch

E.J. (Eric) Fischer

CURRENT POSITION
Extraordinary professor at the University of Amsterdam
Interim Managing Director of CEA
OTHER POSITIONS
Board member of Stichting Verzekeringswetenschap
Board member of IG&H Management Consultants
Board member of Stichting Economisch Onderzoek
YEAR OF APPOINTMENT
2006
YEAR OF BIRTH
1946
NATIONALITY

Dutch

J.G. (Jan) Haars

CURRENT POSITION
Chief Financial Officer of Corio NV
YEAR OF APPOINTMENT
2006
YEAR OF BIRTH
1951
NATIONALITY
Dutch

R.J. (Richard) Harvey

CURRENT POSITION
Group Chief Executive of Aviva plc
OTHER POSITIONS
Member of the Board of the Association of British Insurers
Member of the Confederation of British Industry's Presidential Council
YEAR OF APPOINTMENT
2000
YEAR OF BIRTH
1950
NATIONALITY
British

M.H.M. (Marcel) Smits

CURRENT POSITION
Member of the Board of Management and CFO of Royal KPN NV
SUPERVISORY BOARD MEMBERSHIP
E-Plus Geschäftsfürung GmbH
YEAR OF APPOINTMENT
2003
YEAR OF BIRTH
1961
NATIONALITY
Dutch

T. (Tidjane) Thiam

CURRENT POSITION
Chief Executive Officer of Aviva Europe
SUPERVISORY BOARD MEMBERSHIP
Arkema SA, Paris
OTHER POSITIONS
Member of the Commission for Africa, launched by the British Prime Minister Tony Blair
Council member of the Overseas Development Institute
YEAR OF APPOINTMENT
2006
YEAR OF BIRTH

1962
NATIONALITY
French

Curricula vitae of Executive Board members

N.W. (Niek) Hoek

CURRENT POSITION
Chairman of the Executive Board of Delta Lloyd NV
SUPERVISORY BOARD MEMBERSHIPS
NIBC NV
Stadsherstel Amsterdam NV
OTHER POSITIONS
Chairman of the Executive Board of the Dutch Association of Insurers
Member of the VNO-NCW Executive Board and Board of Governors
Member of the Advisory Council of RSM Erasmus University Rotterdam
Member of the Bank Council of De Nederlandsche Bank NV
Vice-chairman of the Executive Committee of Stichting Klachteninstituut Verzekeringen
Vice-chairman of Stichting Nederlands Philharmonisch Orkest
Member of the Advisory Council of Stichting voor Economisch Onderzoek of the Universiteit van Amsterdam
YEAR OF APPOINTMENT
1997 Executive Board member, 2001 chairman
YEAR OF BIRTH
1956
NATIONALITY
Dutch

R.L.M. (Rob) Hillebrand (until 15 December 2006)

CURRENT POSITION
Member of the Executive Board of Delta Lloyd NV
SUPERVISORY BOARD MEMBERSHIP
ArboNed NV
YEAR OF APPOINTMENT
2003
YEAR OF BIRTH
1955
NATIONALITY
Dutch

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

CURRENT POSITION
Member of the Executive Board and CFO of Delta Lloyd NV
SUPERVISORY BOARD MEMBERSHIPS
Delta Lloyd Beleggingsfondsen, chairman
OHRA Beleggingsfondsen, chairman
Triodos Beleggingsfondsen
OTHER POSITIONS
Chairman of Dutch Fund Association
Board member of the Dutch Securities Institute
Chairman of the Investment Policy Committee of the Dutch Association of Insurers
Member of the Financial & Economic Affairs Committee of the Dutch Association of Insurers
Member of the Insurance Statistics Committee of the Dutch Association of Insurers
YEAR OF APPOINTMENT
2001
YEAR OF BIRTH
1954
NATIONALITY
Dutch

P.K. (Paul) Medendorp

CURRENT POSITION
Member of the Executive Board of Delta Lloyd NV
OTHER POSITIONS
Member of the Advisory Council of Business School Netherlands
Member of the Supervisory Board of Lancyr
Member of the VNO-NCW Pension Policy Committee
Member of the Transparency Steering Group of the Dutch Association of Insurers
Board member of Amsterdam Partners
YEAR OF APPOINTMENT
2003
YEAR OF BIRTH
1954
NATIONALITY
Dutch

H.H. (Henk) Raué (from 1 January 2007)

CURRENT POSITION
Member of the Executive Board of Delta Lloyd NV
SUPERVISORY BOARD MEMBERSHIPS
De Alliantie housing corporation
Delta Lloyd Beleggingsfondsen
Latei property development
YEAR OF APPOINTMENT
2007
YEAR OF BIRTH
1951
NATIONALITY

Dutch

1.2.2 Shareholders

Delta Lloyd Group is a Dutch company with statutory two-tier status and has two shareholders: London-based Aviva plc and Stichting Nuts Ohra of Amsterdam, the Netherlands. Aviva plc owns all ordinary shares and all preference B shares. Stichting Nuts Ohra owns all preference A shares. Aviva plc thus holds a 92% interest in the total issued capital of Delta Lloyd Group while Stichting Nuts Ohra has an interest of 8%.

1.3 Core activities

All core activities of Delta Lloyd Group are focused on a single objective: offering security. Security for personal customers, entrepreneurs and businesses, by insuring risks, protecting income and building provisions for the future.

Delta Lloyd Group's principal fields of activity lie where the future of its customers is secured: income protection, wealth creation and risk insurance. Core activities include life, pension, general and health insurance, as well as savings, investing and mortgages.

Delta Lloyd Group strives to be one of the leading financial service providers in the Netherlands, Germany and Belgium. To this end it focuses, within its core activities, on profitable markets offering sufficient scale.

1.3.1 Activities of divisions

The activities of the eight divisions that jointly form Delta Lloyd Group support each other and thus ensure that the Group as a whole is stronger than the sum of its parts.

Activities of the divisions:

Delta Lloyd Insurance; insurance and pension services via independent intermediaries in the Netherlands

OHRA Insurance; insurance and pension services sold direct to personal and commercial customers in the Netherlands, while National Savings Fund serves personal customers via its own sales force

ABN AMRO Insurance; insurance and pension services via the distribution network of ABN AMRO Bank in the Netherlands

Delta Lloyd Asset Management; asset management activities for customers in the Netherlands, Belgium and Germany

Delta Lloyd Property; property investments in the Netherlands

Delta Lloyd Banking; banking and mortgage products for personal and commercial customers in the Netherlands and Belgium

Delta Lloyd Germany; life insurance, pensions, private banking and mortgages in Germany

Delta Lloyd Belgium; life insurance and pensions in Belgium

The health businesses of Delta Lloyd and OHRA will be integrated in 2007 and positioned as a separate ‘white label’ group. In addition, the General Insurance Product Group was set up (along the lines of the General Insurance Shared Service Centre), thus merging the administrative and product development activities. The product group works for all three brands.

Delta Lloyd Insurance

Delta Lloyd Insurance is the Group’s largest division. Its core activities are life, pension, general and health insurance. Lancyr, a franchise-based administration and marketing formula for independent insurance intermediaries, also forms part of this division. One key characteristic of Delta Lloyd is its intensive cooperation with independent and professional intermediaries in insurance and other fields. Individual freedom and flexibility are the principles underlying all product innovation. Delta Lloyd can thus meet the challenges inherent in our rapidly evolving society and the ever-changing needs of both commercial and personal customers.

See also Annual Report 2006

OHRA Insurance

OHRA originated as a direct writer and, together with National Savings Fund, forms the direct writing division of Delta Lloyd Group. The division consists of OHRA Life, OHRA General, OHRA Health and National Savings Fund (with its own sales force). OHRA’s key strength lies in responding to the demand among consumers and companies for fast service, both in terms of acceptance and access to online services. Most types of insurance and financial services can be purchased directly by mail and telephone or 24 hours a day via the internet.

See also Annual Report 2006

ABN AMRO Insurance

ABN AMRO Insurance is a key element of Delta Lloyd Group’s chosen strategy to serve customers through the banking distribution channel. ABN AMRO Insurance combines the best of two worlds: the channels and customers of ABN AMRO Bank in the Netherlands and the insurance expertise of Delta Lloyd Group. ABN AMRO Insurance is a young, ambitious insurer that delivers top-quality products to customers of ABN AMRO Bank. The service is fast and reliable, offering simple products where possible and tailor-made products where needed.

See also Annual Report 2006

Delta Lloyd Asset Management

Delta Lloyd Asset Management is Delta Lloyd Group's investment specialist, handling investments for the Group's own insurance operations and for third parties. Activities performed on behalf of third parties focus on asset management services for institutional (pension) customers and Delta Lloyd Group mutual fund development and management. The majority of these funds are listed.

See also Annual Report 2006

Delta Lloyd Property

Delta Lloyd Property invests in property on behalf of the Group’s operating companies. The portfolio contains direct and indirect property investments. The direct portfolio comprises residential premises, offices and shops, while the indirect portfolio consists of participating interests in unlisted Dutch property funds.

See also Annual Report 2006

Delta Lloyd Banking

Delta Lloyd Banking incorporates all banking and mortgage activities of Delta Lloyd Group in the Netherlands and Belgium. The Banking Division operates through Delta Lloyd Bank Belgium and through OHRA Bank and Delta Lloyd Bank in the Netherlands, serving both personal and commercial customers. Delta Lloyd Bank Belgium carries a full range of products and services for these customers, whom it serves through a growing number of bank branches and independent agents. In the Netherlands savings, mortgage, loan and investment products are offered under the Delta Lloyd Bank brand, both directly and through independent intermediaries. OHRA Bank sells these products direct to end customers, and increasingly via third parties.

See also Annual Report 2006

Delta Lloyd Germany

Delta Lloyd Germany, headquartered in Wiesbaden, provides insurance, wealth accumulation and management and lending services to both personal and commercial customers. The division includes, among others, the insurance companies Delta Lloyd Lebensversicherung and Hamburger Lebensversicherung, Gries & Heissel Bankiers, Delta Lloyd Investment Managers and Delta Lloyd Finanzpartner.

See also Annual Report 2006

Delta Lloyd Belgium

Delta Lloyd Life, the primary activity of Delta Lloyd Belgium, is headquartered in Brussels and is active through the banking, intermediary and direct writing channels. The division primarily targets the markets for wealth accumulation products and classic life insurance. Several years ago it also started providing pension products in the form of group insurance (second pillar) and has since built up an attractive product range in this field.

See also Annual Report 2006

1.3.2 'The Future Secured' strategy

To assure our ability to provide security, Delta Lloyd Group has developed a long-term strategic course focusing mainly on robust growth, strong distribution power, breadth of service, efficiency and cost control.

Over the past years Delta Lloyd Group has consistently and successfully implemented its strategy. This has resulted in the successful transformation of an intermediary insurer operating largely in its Dutch home market into a strong, multi-channel all-finance service provider in the Netherlands, Germany and Belgium.

The focus of this strategy, entitled 'The Future Secured', was sharpened in 2004 while Delta Lloyd continued the course initiated in preceding years. Given that the insurance sector is strongly influenced by economic and political developments, regular reviews and realignments will remain necessary.

Five strategic pillars for the strategy have been defined for the coming years. The practical implementation and ongoing expansion of these pillars are essential in order to continue offering security in the future.
The five strategic pillars are:

1. Reputation

Reliability is essential in financial services. A good reputation is the reflection of that reliability, but also of the integrity of the organisation and its pursuit of social responsibility. The reputation of the Group rests on the personal commitment of all employees and on its three strong brands: Delta Lloyd, OHRA and ABN AMRO Insurance.

2. Distribution power

With three strong brands, each representing its own distinct distribution channel, Delta Lloyd Group occupies a strong position in the Dutch insurance market. Delta Lloyd Group is one of the few financial service providers that has made distribution power a key element of its strategy, and has thus obtained a distinctive advantage in the present-day market. The Group's ambition is to set up a similar multi-channel distribution platform in Belgium and Germany.

3. Efficiency

The creation of product groups enables Delta Lloyd Group to capitalise on synergies across the Group. Shared service centres are set up to support the brands and to facilitate the standardised execution of as many administrative back-office activities as possible. In addition, product development is centralised per segment in a single location within the organisation. The aim is to share expertise and optimise handling efficiency at an attractive scale and volume. This improves the level of service and reduces costs. To operate competitively and efficiently, sufficient scale is of essential importance.

4. Expertise

Delta Lloyd Group also distinguishes itself by the knowledge and expertise that are available across the organisation, and is keen to be seen by its customers as a financial service provider that knows its business. Two hundred years of history and a steady broadening of the operational scope through mergers, acquisitions and joint ventures have resulted in the accumulation of vast expertise. Delta Lloyd Group seeks to take full advantage of this through cooperation and the unimpeded exchange of know-how across the Group, and also recognises that innovation is crucially important. Expertise is an important confidence-building factor. After all, it is only through knowledge and professionalism that Delta Lloyd Group can genuinely assist customers and distributors in word and deed. Expertise has therefore become an integral strategic pillar for Delta Lloyd Group.

5. Core values

The seven core values defined by Delta Lloyd Group are deeply embedded in the organisation and have, for years, been a familiar guideline for all activities of Delta Lloyd Group. They give clear expression to what the Group stands for and serve as a touchstone in everything we do. The core values are:

- Integrity
- Central focus on the customer
- Responsibility and commitment
- Team spirit
- Open communication
- Flexibility
- Entrepreneurship

1.4 Corporate governance

Delta Lloyd Group conscientiously pursues integrity, transparency and accountability as the three principles of good corporate governance.

Delta Lloyd Group is striving to build a lasting relationship with all its stakeholders. Integrity, transparency and accountability are of essential importance to Delta Lloyd Group in this connection. Corporate governance therefore receives extensive attention from the Supervisory Board, the Executive Board and Divisional Management.

Delta Lloyd Group defines corporate governance as the responsible and accountable management of the company. Delta Lloyd Group voluntarily applies the Dutch corporate governance code (Tabaksblat Code) although, as an unlisted company, it is not obliged to do so.

Delta Lloyd Group believes that the interests of all its stakeholders are best served by the legal form of a statutory two-tier company. In view of its statutory two-tier status the Group closely monitors all developments that may affect its existing corporate governance structure.

1.4.1 Corporate governance guidelines

In Control Statements and Third Party Statements

The annual reports of companies and mutual funds are increasingly required to include statements by the directors indicating how and to what extent the management is in control and whether risks are effectively controlled. One trend in the field of corporate governance and compliance is that more and more companies are requesting that their suppliers give an independent opinion on the effectiveness of their internal controls. They use these statements from suppliers to substantiate and support their own in control statement. The audit is performed by external auditors and leads to a formal statement for the requesting party. These statements aimed at internal controls are often designated as SAS 70, which is a reference to the relevant guidelines of the American Institute of Certified Public Accountants, Statement on Auditing Standards No 70. Statements of a different nature, e.g. on the quality of a software package, are often indicated as Third Party Statements.

Delta Lloyd Group provides selected commercial customers (e.g. pension funds) with an SAS 70 Statement. The expectation is that an SAS statement will be provided as standard with certain types of service as companies need these to substantiate their own in control statements. Another trend is that a growing number of companies, including business partners and customers of Delta Lloyd Group, are required to meet the US Sarbanes Oxley Act (SOX). The introduction of SOX represents a considerable formalisation and standardisation of the working procedures and a substantial increase in the number of substantive tests. Companies that need to be SOX-compliant impose the same requirements on business partners if the significance of the financial relationship compels them to do so. At Delta Lloyd Group this trend is currently relevant in two areas.

- ABN AMRO Insurance is confronted with this issue as a joint venture of Delta Lloyd and ABN AMRO Bank,
- The Group has customers (e.g. multinationals) who are required to be SOX-compliant and for whom the aforementioned SAS 70 statement is not sufficient.

Delta Lloyd Group, in turn, also requests that its business partners, such as IBM, provide an SAS 70 type 2 statement. This is a standard element in the contracts the Group concludes with suppliers.

Delta Lloyd Group subscribes to the need for adequate control and transparency on this subject to business partners and stakeholders. However, it is also concerned about the trend towards a rule-based approach. The Group is of the opinion that, in laying down detailed and labour-intensive guidelines, such an approach is more likely to lead to increased bureaucracy, high costs and a false sense of certainty than a principle-based approach where the company can effectively tailor the implementation of measures to the risk profile and specific circumstances of the business unit in question.

Tabaksblat Code

Though not a listed company, Delta Lloyd Group is committed to complying wherever possible with the recommendations of the Tabaksblat Committee. The Group believes its stakeholders stand to benefit from the transparency required by the Code and will therefore apply the principles of accountability as outlined in the Code. Similarly, Delta Lloyd Group will also follow the Committee's recommendations in its capacity as an institutional investor.

Delta Lloyd Group applies the Code's best practice provisions on a voluntary basis. Provisions that are relevant to the composition of its bodies and its organisational structure as an unlisted company are not applied, however. Therefore, Delta Lloyd Group does not apply the following best practice (BP) provisions of the Code concerning the relationship with the shareholder: BP III.5.1 (posting of the Supervisory Board's By-Laws on the website), BP IV.1.3 (disclosure of private bid) and BP IV.3.1 through IV.3.4 (meetings with analysts and provision of information to analysts). In addition, Delta Lloyd Group has exclusively adopted those best practice provisions that are not in conflict with the existing relationship with its stakeholders. BP IV.1.4 and BP IV.1.5 (policy on additions to reserves and on dividends at the General Meeting of Shareholders) are not applicable.

The following best practice provisions of the Tabaksblat Code are not applied in full:

- BP II.1.1: ‘A management board member is appointed for a maximum period of four years. A member may be reappointed for a term of not more than four years at a time.’
  The Delta Lloyd Group Executive Board members who assumed office before 2006 were appointed for an indefinite period. It has been decided that the contracts with these members will be left intact. All new appointments are made in accordance with the Tabaksblat Code guidelines.

- BP II.2.1- 2.5: ‘Options to acquire shares are a conditional remuneration component, and become unconditional only when the management board members have fulfilled predetermined performance criteria after a period of at least three years from the grant date.’
  The content of best practice provision II.2.1 is not relevant as Delta Lloyd Group does not grant its Executive Board members options to acquire shares in the company. However, the granting of other variable remuneration components will remain conditional upon the realisation of agreed performance and other criteria relative to a chosen peer group. Delta Lloyd Group operates a long-term incentive plan, the Phantom Option Plan. This plan contains a reward element that is based on the development of the European Embedded Value. If the set performance criteria are achieved, the ‘phantom options' will vest three years after being granted. A number of senior executives also have rights under prior-year Aviva option plans.

- BP II.2.7: ‘The maximum remuneration in the event of dismissal is one year's salary... If the maximum of one year's salary would be manifestly unreasonable for a management board member who is dismissed during his first term of office, such board member shall be eligible for severance pay not exceeding twice the annual salary.’ Delta Lloyd Group subscribes to the principle that failure must not be rewarded but also believes that Executive Board members are entitled to severance pay in line with accepted legal and social practice.

- BP III.2.1: ‘All supervisory board members, with the exception of not more than one person, shall be independent within the meaning of best practice provision III.2.2.’ Subject to the approval of its shareholders and contrary to best practice provision III.2.1, the Supervisory Board of Delta Lloyd Group includes two non-independent members. Aviva holds 92% of all the shares, and is consequently entitled to nominate two Supervisory Board members. Regardless of their non-independence, these two members are obliged to perform their task in the best interests of the company.

- BP III.3.5: ‘A person may be appointed to the supervisory board for a maximum of three four-year terms.’ The Supervisory Board of Delta Lloyd Group consists of nine members. They may be appointed to the Supervisory Board for a maximum of three four-year terms. Delta Lloyd Group has made an exception for Mr Van der Burg, whose Supervisory Board membership exceeded this term before the introduction of the Code.

- BP IV.1.2: ‘The voting right on financing preference shares shall be based on the fair value of the capital contribution. This shall, in any event, apply to the issue of financing preference shares.’ Aviva plc owns all ordinary shares and all preference B shares. Stichting Nuts Ohra owns all preference A shares. Each ordinary share and each preference A share entitles one vote to be cast. Contrary to IV.1.2, each preference B share entitles the holder to fifty votes. Aviva plc holds 92% of the voting rights in the total issued capital of Delta Lloyd while Stichting Nuts Ohra controls 8% of the voting rights.

- BP IV.3.7: ‘If a right of approval is granted to the general meeting of shareholders by law or under the articles of association of the company..., or the management board or the supervisory board requests a delegation of powers..., the management board and the supervisory board shall inform the general meeting of shareholders by means of a ‘shareholders circular’ of all facts and circumstances relevant to the approval, delegation or authorisation to be granted. The shareholders circular shall, in any event, be posted on the company's website.’ As Delta Lloyd Group only has two shareholders, the best practice provision IV.3.7 is irrelevant to the company insofar as the use and publication of shareholder circulars is concerned. The other elements of this best practice provision are applied.

- BP IV.3.9: ‘The management board shall provide a survey of all existing or potential anti-takeover measures in the annual report and shall also indicate in what circumstances it is expected that these measures may be used.’ The two shareholders of Delta Lloyd Group are fully informed of the existing and potential anti-takeover measures. Therefore, disclosure of these measures in the annual report has no added value.

- Principle V.2: ‘... The remuneration of the external auditor, and instructions to the external auditor to provide non-audit services, shall be approved by the supervisory board on the recommendation of the audit committee and after consultation with the management board.’ Contrary to the provisions in principle V.2, an Audit Charter has been drawn up with the approval of the Audit Committee stipulating in which cases and under which conditions the external auditor may be commissioned to provide permitted non-audit services. The Charter also includes an obligation to report to the Audit Committee in the case of non-audit engagements with a substantial contract value. Delta Lloyd Group wishes to maintain the current practice as laid down in the Audit Charter.

1.4.2 Governance model and policy framework

The governance model and the related policy framework established by the Executive Board are key building blocks of Delta Lloyd Group's corporate governance. The objectives and frameworks of authority and responsibility that the business units are required to pursue and adhere to have been defined and recorded for a wide variety of policy fields. All policy documents are electronically accessible and are updated annually.

Whistleblower policy

Delta Lloyd Group expects all its staff to comply with internal and external laws and regulations at all times. Staff have the right and the responsibility to report any concerns about possible malpractice of a general, operational and/or financial nature. The whistleblower policy lays down procedures for reporting and dealing with (suspected) malpractice, while also providing safeguards to ensure that anonymity and confidentiality are protected insofar as possible. The whistleblower policy is applicable to all divisions and units of Delta Lloyd Group.

Standards for behaviour as a good corporate citizen

Delta Lloyd Group aims to be a socially involved and community-minded financial service provider that makes a clear contribution to the progress and prosperity of society. In practice that means a continuous search for the right balance between entrepreneurial spirit and social responsibility. How do you make a healthy profit, while faithfully upholding your standards and values in everything you do? Various codes of conduct form the guideline. Delta Lloyd Group's seven core values constitute the moral standard for the conduct of our staff, and must not be violated.

Private portfolio investment transactions

Delta Lloyd has rules for dealing with price-sensitive information and for private portfolio investment transactions by staff. Employees with regular access to confidential information are governed by stricter rules as laid down in the Insider Trading Regulations. These regulations are applicable to the members of the Supervisory Board and the Executive Board and to roughly four hundred employees in the Netherlands. Insiders located outside the Netherlands are subject to local laws and regulations.

Codes of Conduct

While the core values of Delta Lloyd Group constitute the ‘moral’ standard for the actions of our staff, the integrity of the financial services sector in the Netherlands has increasingly been embedded in legislation and regulations in recent years. Delta Lloyd Group willingly endorses and fulfils all industry-based and statutory codes of conduct. Since the Memorandum on Integrity in the Financial Sector was published in 1997, the government and regulators have introduced a wide-ranging package of measures. These are not only aimed at fighting fraud and deviant behaviour but also at promoting solidity, transparency and ‘pure' relations among the market parties.

In recent years the financial services sector, too, has taken initiatives to introduce codes of conduct in various fields. The Insurers' Code of Conduct *(Gedragscode Verzekeraars)* and the Code of Conduct for the Processing of Personal Data by Financial Institutions *(Gedragscode Verwerking Persoonsgegevens Financiële Instellingen)* set out rules with which the entire industry is required to comply. These rules form an important framework within which Delta Lloyd Group conceives and formulates its policy.

In addition, Delta Lloyd Group has formulated internal codes of conduct to safeguard the integrity of its business operations. The Code of Conduct for Business Gifts, Invitations, Outside Activities and Participating Interests sets out specific rules for contacts with customers and suppliers as well as for non-company activities. This code of conduct forms part of the contract of employment, and is consequently binding upon every employee. Further codes of conduct have also been formulated for e.g. e-mail and internet use.
Delta Lloyd Group devotes regular attention to the codes of conduct in publications. The Group's codes of conduct are posted on its Dutch intranet. The staff magazines carry reports on specific codes of conduct and standards for the conduct of business in general.

In Belgium, Delta Lloyd Life complies with the industry-based Codes of Conduct for the Distribution of Financial Products. These rules, which govern individual life insurance products, create clarity regarding the role of the insurance intermediaries and their cooperation with insurers in certain important domains, such as anti-fraud measures and contract creation. Delta Lloyd Bank Belgium conforms with the requirements imposed by CBFA, the supervisory authority for the Belgian financial sector.

Delta Lloyd Germany applies strict ethical standards and business principles for all its companies. The standards have been laid down in a compliance guideline to which all employees must adhere. Delta Lloyd Germany thus meets the provisions of the German Act on Shares as well as the requirements of the government's financial services regulator, the Bundesanstalt für Finanzdienstleistungsaufsicht.

Compliance

Compliance is about adherence to rules and standards. The primary responsibility for this rests with line management. In view of the complexity of the rules and the importance of compliance, line management receives support from compliance officers who in turn hold consultations with other specialists such as lawyers, tax consultants and security officers.

Compliance officers are responsible for assuring statutory and regulatory compliance. They also monitor and enforce adherence to the rules and standards laid down by Delta Lloyd Group as a guideline for the company's conduct. This concerns both the seven core values and industry-based and internal codes of conduct. The internal compliance with and monitoring of the standards for behaviour as a good corporate citizen are largely realised at Division and Corporate Staff level. This applies to identification, implementation and compliance, as well as to the monitoring thereof. At divisional level, line management is responsible for ensuring that employees apply the codes of conduct. The compliance officer, which is an independent function, plays a supporting role in this connection. He monitors and stimulates compliance with the codes, identifies new developments, provides advice, and gives information and instruction on regulatory compliance. The compliance officer reports, on a quarterly basis, to Divisional Management and the audit committee involved regarding developments, any issues and necessary actions in the field of statutory and regulatory compliance.

At group level there is a need for management and coordination of compliance activities and promotion of internal coherence and cooperation between divisions and Group units. The identification of new developments and the assessment of their consequences for the Group and divisions is another important activity. A third task at group level involves the management of behavioural rules that apply to the entire company. This exclusively concerns a steering role, and does not involve the actual implementation of tasks within the business units or taking over their responsibilities. Each division has appointed at least one compliance officer to fulfil these duties.

Alongside the measures taken by line management and compliance officers, there is a third level aimed at assuring compliance. Group Audit & Integrity regularly carries out compliance audits to find out whether the business units devote sufficient attention to compliance. The regulators also conduct targeted audits to verify that Delta Lloyd Group complies with laws and regulations. The reports and any necessary remedial action are reported to the relevant Divisional Management, the Executive Board and relevant audit committees.

Despite the further reinforcement of the compliance function and the Group's commitment to corporate social responsibility and transparency, achieving full and timely compliance with all written and unwritten rules and standards is far from straightforward in practice. The constant flow of laws and regulations, which are moreover not always made available in a timely and unambiguous manner, renders it difficult, if not impossible, to achieve timely compliance (due to the need to make radical product and system adaptations) or to immediately choose the correct interpretation (so that subsequent changes are necessary). The second complicating factor is that only later, sometimes even many years later, questions may arise as to whether a certain activity or product that was performed or supplied in the past still stands up to scrutiny under the current standards. Unfortunately, such cases also occur in the financial services sector, witness the present debate about unit-linked insurance. Delta Lloyd Group therefore explicitly tests existing and new products for CSR compatibility.

Behaviour that conflicts with a code of conduct is internally recorded and assessed. Employees can report violations of the integrity standards, or suspected violations, to the Integrity Disclosure Office *(Meldpunt Integriteit)*.

The Dutch Association of Insurers, in consultation with the Netherlands Competition Authority *(Nederlandse Mededingingsautoriteit / NMa)*, has drawn up the Competition Compliance Regulations *(Complianceregeling Mededinging)* to help its members avoid infringements of national and European competition law. Delta Lloyd Group has incorporated the compliance regulations into its own ‘Delta Lloyd Competition Compliance Rules' which have been tailored to the Group's specific circumstances. Awareness training is given to new employees to ensure that they are immediately aware of compliance issues, while other employees receive periodic refresher courses.

1.4.3 Delta Lloyd Group structure

Capital and control

Delta Lloyd Group is a Dutch company with statutory two-tier status and has two shareholders: London-based Aviva plc and Stichting Nuts Ohra of Amsterdam, the Netherlands. Aviva plc owns all ordinary shares and all preference B shares. Stichting Nuts Ohra owns all preference A shares. Aviva plc thus holds an interest of 92% in the total issued capital of Delta Lloyd while Stichting Nuts Ohra has an interest of 8%.

Legal structure

Delta Lloyd Group provides banking and insurance services and operates under different brand names. Pursuant to Dutch law the banking and insurance activities must be undertaken through separate companies. Delta Lloyd NV, the parent company, therefore comprises a number of legal entities / subsidiaries, namely: Delta Lloyd Verzekeringen NV, OHRA NV, Delta Lloyd Bankengroep NV, Delta Lloyd ABN AMRO Verzekeringen Holding BV (51%), Delta Lloyd Deutschland AG, Delta Lloyd Life NV and Delta Lloyd Asset Management NV. Delta Lloyd Property is an operational unit of Delta Lloyd NV. These companies, in turn, have various subsidiaries.

Delta Lloyd NV and its Dutch-based subsidiaries are under the supervision of various regulatory authorities including the Dutch central bank (De Nederlandsche Bank / DNB), the Netherlands Authority for the Financial Markets *(Autoriteit Financiële Markten / AFM)*, Netherlands Competition Authority *(Nederlandse Mededingingsautoriteit / NMa)*, Dutch Data Protection Authority *(College Bescherming Persoonsgegvens / CBP)*, Dutch Healthcare Authority *(Nederlandse Zorgautoriteit / Nza)* and Foundation for the Implementation of Apportionment Schemes *(Stichting Uitvoering Omgangsregelingen / SUO)*.

The subsidiaries controlled by Delta Lloyd Group are consolidated in the financial statements of Delta Lloyd NV.

Organisational structure

As a two-tier company Delta Lloyd Group has a corporate governance structure in which the most important powers rest with the Executive Board and an independent Supervisory Board. The relationship between the Executive Board and the shareholders clearly reflects the position of Delta Lloyd Group as an important member of the Aviva group.

Developments

As a statutory two-tier company the Group closely monitors all developments that may affect its existing corporate governance structure. Recently, changes were made in relation to the statutory two-tier rules. More specifically, this concerned the statutory provisions on the appointment of members of the Supervisory Board. The law leaves scope for alternative arrangements between shareholders and the management in this area.

1.5 Reporting

Delta Lloyd Group subscribes to the vital importance of uniform methods for calculating results and capital, not least because these improve the comparability and transparency of corporate performance.

With effect from 2005, the Group has adopted the International Financial Reporting Standards (IFRS). These new standards for drawing up the financial statements, which are compulsory for listed companies, will ultimately enhance the transparency of reporting.

The strong point of IFRS is that it provides a clear picture of what has been achieved in the course of the year. However, the development of the Group's value over the long term is less clear. This report consequently also includes the European Embedded Value of the organisation, which is an essential indicator of long-term performance.

1.5.1 IFRS

With effect from 1 January 2004, Delta Lloyd Group applies the standard IFRS 'available for sale' method for measuring the value of equity investments. With this method, realised results and impairments of shares are immediately recognised in the income statement. As a consequence, strong volatility on the stock exchange also causes sharp fluctuations in the reported results.

One consequence of IFRS is that liabilities and assets may be valued in a different manner: fixed income investments are stated at fair value and the provision for insurance liabilities at amortised cost. Delta Lloyd Group has therefore opted, effective from financial 2005 and ahead of IFRS 4 phase II, to measure its (life insurance) liabilities at fair value, providing a more accurate reflection of economic reality. As a consequence, the results are less sensitive to interest rate fluctuations.

1.5.2 European Embedded Value

From 2004 the European Embedded Value (EEV) is included in the reporting of Delta Lloyd Group. EEV provides good insight into the value of life insurance business, the principal activity of Delta Lloyd Group.

The EEV principles have been developed by CFO Forum, in which Europe's leading insurers are represented, and are aimed at enhancing consistency, transparency and comparability of embedded value reports of European insurers. The application of EEV principles in the reports should enable shareholders and analysts to make a more accurate assessment of the fair value of insurers. Despite the application of EEV principles, the comparability of the embedded values is restricted by the fact that assumptions on e.g. investment returns and future economic developments may vary significantly by company.

The EEV consists, on the one hand, of the *Net Worth* and, on the other, of the *Value in Force* of the life insurance portfolio itself. The value of the insurance portfolio is determined by computing the present value of the future results to be generated by the portfolio. This involves a detailed estimation of the (future) portfolio results as well as economic conditions. Amongst other things, assumptions are made for specific investment returns from e.g. bonds, shares and property, but also for specific economic factors such as interest rates and inflation.

The EEV is determined for the existing portfolios but also – separately – for the New Business Contribution (NBC). The latter provides an excellent indication of the profitability of new life business transacted in a given year.

The EEV thus not only relates to premium volumes, but also gives a good indication of the (expected) profitability of the total life portfolio. The EEV method therefore gives a more pure and reliable disclosure of long-term performance. Added to this, the development of the embedded value provides good insight into the various components affecting the annual result, including investment and economic circumstances.

1.6 Risk management

Managing risks is a key competence for Delta Lloyd Group.

Risk management comprises identifying, analysing, monitoring and controlling risks that may impede the achievement of the company's objectives and results. In its endeavour to offer customers a secure future, Delta Lloyd Group is constantly working to improve its risk management procedures, and thus also assure its ability to meet its obligations to customers in the longer term. Good risk management is not only important to customers but also to other stakeholders, such as shareholders, employees, insurance intermediaries, business partners and regulators.

Delta Lloyd Group's risk policy rests on the following basic principles:

1. Executive Board, Divisional Management and management are responsible for the effective identification, analysis, monitoring and control of risks.
2. A good risk management system reduces the risk of errors, wrong decisions and unforeseen circumstances.
3. Responsible risk-taking is an essential aspect of healthy entrepreneurship. The objective is to identify, analyse, monitor and control risks as well as possible. In this connection the Executive Board carries the ultimate responsibility for setting the maximum levels of acceptable risks.
4. In view of future regulations (Basel II and Solvency II), a more accurate quantification of risks is necessary to arrive at capital requirements that are optimally geared to the risks and to permit an accurate assessment of the returns in relation to the risks incurred.

1.6.1 Risk management policy

Delta Lloyd Group has drawn up a uniform risk management policy framework for all business units. This unambiguously lays down what the objectives are and who is responsible for achieving them. The policy also sets out the method to be used for assessing and reporting on implemented controls. In this approach, the business objectives are subdivided into three main groups: strategic business objectives, financial business objectives and operational business objectives. Fixed risk categories have been identified for each group of business objectives. In view of the fact that the risk framework is identical for all business units of Delta Lloyd Group, this approach constitutes a good basis for comprehensive and consistent risk management.

Based on the Dutch central bank's Regulation on Organisation and Control, the Banking Division is required to apply a different risk classification tailored specifically to the banking industry.

All business units update their risk profile at least once every three months. This takes place in the form of a 'self assessment' by the management of the business units which is specifically aimed at the inherent risks and the effectiveness of existing controls. The assessment leads to an estimation of the impact and probability of the residual risks. One important element in the assessment is the question of whether additional controls are necessary and feasible to reduce the residual risks to within the risk acceptance levels set by the management.

This uniform risk management method enables the Executive Board to make quarterly assessments of the most important risks at group level, and thus to determine the risk profile of Delta Lloyd as a whole. This risk profile is subsequently discussed in the Audit Committee of Delta Lloyd Group's

Supervisory Board and communicated to Aviva, regulators and external auditors. The risk profiles of the divisions are determined by divisional management and discussed in the Audit Committees or the Supervisory Boards of the divisions in question.

Risk management processes make increasing use of IT support and actuarial risk quantification models.

1.6.2 Risk management assessment

Various regulators have provided internal control frameworks. These frameworks promote the completeness and quality of the risk control system. In addition, regulators carry out their own audits of the adequacy of risk control at Delta Lloyd Group's business units falling under their supervision.

1.7 Core values

As a company, you can make a healthy profit, while faithfully upholding your standards and values in everything you do. Delta Lloyd Group's core values serve as a guide for all its activities.

Delta Lloyd Group takes its role as a corporate citizen very seriously and is therefore constantly seeking the right balance between entrepreneurial spirit and social responsibility. There is also a deep-felt awareness that entrepreneurship, combined with integrity, is key to winning the trust that is vitally important for a financial service provider. For this reason, integrity in every sense of the word – towards customers, distribution partners and staff as well as society at large – constitutes an important basic principle for Delta Lloyd Group. This mentality is reflected in Delta Lloyd Group's core values and in the strict adherence to these values each day anew. But also in its natural willingness to endorse and implement industry-based and statutory codes of conduct.

1.7.1 Seven core values

The seven core values of Delta Lloyd Group serve as a guide for all its activities. The values give direction to the company's policy and determine its corporate culture and identity. They clearly communicate what the Group stands for and serve as the touchstone for all its actions. In the constant search for the right balance between entrepreneurial spirit and social responsibility, Delta Lloyd Group does not shy away from the dilemmas encountered in this process but openly raises these issues at every level. Which is precisely why the core values are so widely and wholeheartedly supported by all employees – and are now firmly embedded within the organisation.

Apart from guiding our daily actions, Delta Lloyd Group also sees its core values as preconditions for professionalism, pride and pleasure at work. By constantly appealing to such values as integrity, personal responsibility, openness, flexibility and entrepreneurship, Delta Lloyd Group wants to inspire and encourage its staff to deliver a high performance and demonstrate social engagement.

Delta Lloyd Group's seven core values are:

Integrity

This stands for a totality of values, standards and rules that safeguard integrity within the organisation. This is expressed in a permanent sense of responsibility - and accountability - for one's own actions. Customers and trading partners are expected to uphold the same degree of integrity.

Central focus on the customer

The customer's wishes come first and must be optimally fulfilled. Knowing the customer's needs, offering high-quality service, delivering on our promises and having an effective complaints procedure are key elements in this regard.

Responsibility and commitment

A deep sense of responsibility for and commitment to customers, stakeholders, employees, distribution partners and society as a whole is the basic principle underlying all activities. Employees at every level are therefore encouraged to acquire expertise, take responsibility for tasks and solve problems.

Team spirit

Providing financial services is a people's business. Cooperation is crucial. Commitment, personal contacts and appreciation of results are critical success factors.

Open communication

Trust, honesty and transparency are essential to achieving open communication.

Flexibility

The continuity of the business depends on the ability to anticipate or rapidly respond to social developments. The willingness to change is a prerequisite in this respect.

Entrepreneurship

An active and entrepreneurial company needs employees who are entrepreneurial, show initiative and feel responsible for results.

1.7.2 Embedment of core values in daily operations

In recent years numerous activities have been undertaken to introduce the core values among the staff of Delta Lloyd Group and to integrate them into diverse policy instruments. The accompanying core value programmes are primarily aimed at their further integration into the day-to-day operations of the business units. Employees are stimulated to raise integrity issues for discussion and to jointly seek effective solutions.

Compliance with the core values is embedded in the recruitment policy and the appraisal system of

Delta Lloyd Group. All staff are assessed on the degree to which they put the core values into practice in their own working environment. The annual employee satisfaction survey also looks at how staff apply the core values in their daily work.

To keep the core values permanently top of mind among all employees, Delta Lloyd Group incorporates them wherever possible in its internal and external communications.

1.8 Relationship with stakeholders

Delta Lloyd Group is working on a secure future for and with all its stakeholders. This concerns all parties involved in Delta Lloyd Group: customers, employees, suppliers, trading partners, shareholders and society as a whole.

Continuity and trust are key pillars in the relationship with stakeholders and Delta Lloyd Group invests in these by acting as a responsible corporate citizen, by having an eye for the interests of stakeholders and by working with them closely. Very often the interests of stakeholders run parallel. Better service to the customers, for instance, can translate into higher returns for shareholders. Efficiency gains through outsourcing can boost shareholder returns and improve the service to customers. But outsourcing affects staff interests, so the consequences for employees must also be considered in the overall assessment. Delta Lloyd Group constantly seeks to balance these diverse interests.

Transparency and communication

Open and transparent communication and transparency are essential to build and maintain a good relationship between Delta Lloyd Group and its stakeholders. Delta Lloyd Group is therefore increasingly pursuing a dialogue with its diverse stakeholder groups. For shareholders, employees and their representatives, this is already partly embedded in the law. One instance of such a dialogue at Delta Lloyd Group is the annual tripartite consultation between the Central Works Council, the Executive Board and the Supervisory Board.

To promote the dialogue with society, interactive discussions are conducted through the Employee Benefits Advisory Board, where representatives of Delta Lloyd Group exchange thoughts three times a year with e.g. national politicians, social partners and consumer and industry organisations.

Transparency to customers is increasingly safeguarded by laws, regulations and codes of conduct. The obligatory Financial Information Leaflet *(Financiële Bijsluiter)*, the Insurers' Code of Conduct *(Gedragscode Verzekeraars)* and the Return and Risk Code of Conduct *(Code Rendement en Risico)* all protect the customer's position and make it clear what financial service providers stand for; and that is something to which Delta Lloyd Group attaches great importance. The Group therefore pursues a proactive approach.

Despite the higher costs resulting from the Financial Services Act *(Wet financiële dienstverlening / Wfd)*, Delta Lloyd Group has warmly welcomed this new legislation. The Wfd and its further elaboration in the Financial Services Decree *(Besluit financiële dienstverlening / Bfd)* came into force in 2006. With effect from 1 January 2007, the Financial Services Act was incorporated into the Financial Supervision Act *(Wet op het financieel toezicht / Wft)*. The Wfd and the Bfd prescribe minimum knowledge and training requirements for insurance intermediaries, include safeguards to ensure the independent offering of advisory services and provide for the duty of care. What matters to Delta Lloyd Group is that customers see the Group as accessible, and know that we listen to them and take care of their interests. Transparent communication about products and their merits is a primary requirement in the relationship between customers and the Group.

Openness is also pursued by means of publications for customers and insurance intermediaries, for instance. Examples of this are the Corporate Social Responsibility Report and the Year Magazine, two publications for stakeholders that are issued alongside the annual report. The Year Magazine presents relevant background information on developments in and around the Group. The CSR report accounts for the progress made in the field of corporate social responsibility. Additional information is provided in a printed supplement that, among other things, discusses some of the dilemmas that the Group encounters in this field.

1.8.1 Relationship with customers

The core activities of the Group touch the lives of millions of people: 4.5 million Dutch, 450,000 German and 610,000 Belgian customers. Its products consequently have a high social relevance. Which is precisely why it is essential to operate with a strong sense of responsibility.

Products and services

Delta Lloyd Group deliberately focuses on developing and offering products and services that reflect its commitment and clearly respond to customer needs. The Group's most important fields of activity lie where the future of customers is secured: income protection, wealth creation and risk insurance. Core activities are life, pension, general and health insurance as well as savings, investing and mortgages. This means in practice that Delta Lloyd Group helps people accumulate wealth and accrue a comfortable pension, gain access to good healthcare and obtain financial compensation for damage or losses suffered.

Customer focus

True to its core values, Delta Lloyd Group puts the customer first and acts accordingly in its relations with intermediaries, personal customers and entrepreneurs. Knowing the needs of customers, providing a high quality of service, delivering on promises and efficiently addressing complaints are key aspects in this connection. To match services as closely as possible to customer needs, ‘knowing the customer' is a major priority. Customer satisfaction surveys are conducted on a regular basis: all business units carry out annual assessments.

Accessibility

It is important for customers to perceive Delta Lloyd Group as an accessible company. One that listens to them and puts their interests first. Transparent communication on products is a precondition in this respect. This transparency is increasingly being secured by laws, regulations and codes of conduct. Examples are the Return and Risk Code of Conduct *(Code Rendement en Risico)* and the Insurers' Code of Conduct *(Gedragscode Verzekeraars)*. The Financial Services Act *(Wet financiële dienstverlening / Wfd),* which took effect on 1 January 2006, marks a major step towards greater transparency: one of the elements of the act involves ensuring the independence of the advisory services offered by insurance intermediaries. With effect from 1 January 2007, the Financial Services Act was incorporated into the Financial Supervision Act *(Wet op het financieel toezicht / Wft)*.

1.8.2 Relationship with employees

To attain its ambitions, highly qualified and motivated staff are essential to Delta Lloyd Group. The Group therefore seeks to offer an inspiring working environment where employees enjoy every opportunity to grow and advance their career. The aim is to create an entrepreneurial work climate that stimulates employees to respond quickly and competently to developments in the market, present new ideas, take responsibility and be actively and visibly involved. The management plays a crucial role in this respect, by setting the right example and pursuing a culture of inspirational leadership.

Expertise

'The Future Secured' defines staff expertise as one of the pillars on which Delta Lloyd Group is building its future. The banking and insurance market is a knowledge-intensive market, and knowledge is therefore one of the key areas where financial service providers are able to distinguish themselves from the competition. Delta Lloyd Group is consequently committed to constantly expanding its in-house knowledge. One initiative in this connection is the four-year management traineeship available to talented young graduates at Delta Lloyd Group, with the prospect of a subsequent appointment to a management position. This programme not only supports the recruitment of young talent but also accelerates their development. In addition, the Group has management development and executive development programmes aimed at grooming in-house talent to a position as team leader or manager. In the international context, Delta Lloyd Group participates in the management programme of CEDEP-INSEAD in Fontainebleau and Wharton in the US. Talented employees who want to pursue a career path towards specialisation, can follow the professional development programme, which gives professionals the opportunity to enhance their effectiveness and advisory skills. At the online course shop staff can get fast and complete answers to all their questions about the available training opportunities.

Diversity

Delta Lloyd Group aspires to be an open financial service provider working on a secure future for and with all its stakeholders, based on integrity and sound entrepreneurship. To continue guaranteeing that secure future, the Group seeks to respond effectively to new market trends and developments. This calls, on the one hand, for employees who are flexible and willing to learn new skills and, on the other hand, for the optimal utilisation of their diverse talents.

To take full advantage of its employees' varied talents, it is crucially important for Delta Lloyd Group to have a clear overview of its entire workforce and to avoid inadvertently excluding individuals. In practice, however, keeping an open mind towards everybody can be difficult. External features such as age, sex and cultural background, for instance, can influence the way people look at each other. After all, everyone sees the world from his or her own perspective and may therefore unintentionally exclude people. It is not only important that managers become aware of this, but employees as well. Because as long as managers and employees fail to recognise any limitations of their personal horizon, certain employees may get fewer opportunities to make their contribution to Delta Lloyd Group, regardless of the excellence of their competences.

Since 1998 Delta Lloyd Group has deliberately embraced diversity as a priority issue. Initially, special programmes were set up to promote equal opportunities for men and women. Meanwhile, the theme of diversity has been greatly expanded. Delta Lloyd no longer focuses exclusively on helping women progress to senior management positions, but is now pursuing the wider ambition of achieving a more diverse workforce and cultivating the multiple talents within the organisation for everyone's benefit.

1.8.3 Relationship with shareholders

Delta Lloyd Group has two shareholders: Aviva plc in London and Stichting Nuts Ohra in Amsterdam. In addition to the formal shareholder meetings, the relationship with the two shareholders also comprises regular consultation between the Executive Board of Delta Lloyd Group and Aviva and the Board of Stichting Nuts Ohra. The relationship with Aviva is also given shape in the fact that two executive directors of Aviva are members of the Supervisory Board of Delta Lloyd Group.
Delta Lloyd Group and shareholder Aviva have a legal difference of opinion about the interpretation of corporate governance arrangements which has been put to the court for an independent opinion. Both parties agree that this should not stand in the way of their business relations. The cooperation in a wide variety of areas, including finance, HRM, communication, actuarial & risk management, corporate social responsibility and investor relations, is intensive and constructive in practice. In addition, Delta Lloyd Group is consolidated in Aviva's financial statements.

1.8.4 Relationship with suppliers

The operations of Delta Lloyd Group are becoming increasingly dependent on contributions from third parties. As a result, the relationships with the most important suppliers are managed at group level, the aim being to maximise the suppliers' contributions to the realisation of the objectives of the Group and its business units, while simultaneously minimising the risks.

Divisions receive advice on the terms and conditions on which Delta Lloyd Group does business and the manner in which tendering procedures are structured and negotiations are conducted. The sourcing policy is determined centrally; this policy determines which parts of the business processes are carried out by the company using its own resources and which processes are performed through external providers. The divisions formulate their own strategies and determine what is produced in-house and what is purchased. The divisions also decide on the ultimate choice of suppliers, the deliverable resources and services and the applicable terms and conditions. Tendering procedures and decision-making are orchestrated at Group level.

When it comes to corporate social responsibility (CSR), Delta Lloyd Group demands a lot from itself. And it expects its suppliers to be equally exacting. This explains why corporate social responsibility is a standard selection criterion in every tendering procedure.

1.8.5 Relationship with society

In its relations with society, Delta Lloyd Group is acutely aware of the strong social relevance of its products. The Group is committed to offering solutions in areas where the government has reduced its role as social insurer. To this end, it develops products in the fields of income protection, life course saving schemes and health insurance.

Sponsoring, charity and donations

Delta Lloyd Group's commitment to social responsibility is also reflected in its sponsoring, charity and donation policy. In this regard the Group increasingly focuses on social projects that fit in with the basic aims of 'The Future Secured'.

Financial awareness

The key theme of Delta Lloyd Group's sponsoring, charity and donation policy is financial awareness. This theme links up directly with the core activity of Delta Lloyd Group: assuring a secure financial future for customers. The Group goes about this task in different ways: by offering traditional insurance against the (financial) consequences of unpleasant events and by offering products to meet immediate financial needs (mortgages), near-term financial needs (savings) or future financial needs (investments, pensions). Optimal use of these products calls for basic skills such as financial knowledge, insight and self-discipline. People who lack these skills often end up in financial problems.

Financial problems at an individual level have repercussions on the well-being of society as a whole. Better financial awareness thus contributes towards the general health of society. Delta Lloyd Group therefore takes its financial expertise beyond the commercial domain. Apart from raising financial self-awareness through information and education, the Group also helps to find solutions for financial problems. The aim is not to take over problems, but to encourage self-management by teaching skills and creating new opportunities.

Stichting Nuts Ohra

Stichting Nuts Ohra is affiliated to Delta Lloyd Group as a shareholder. Stichting Nuts Ohra, a foundation that is active as a fund for charitable causes, holds an equity interest in Delta Lloyd Group, which stems from the merger between Delta Lloyd and NUTS OHRA. The annual income that the Foundation generates from this equity interest is used for the financing of healthcare projects. Examples of the various types of projects are: research, public information, new treatment methods, residential and recreational facilities and prevention.

The environment

Environmentally-friendly entrepreneurship is an integral part of maintaining a good relationship with society. Delta Lloyd Group is committed to protecting and improving the environment and underlines this by pursuing an active environmental policy. This policy is regularly adjusted and covers a wide range of objectives. The most important of these are:

- research into further energy savings, research into the introduction of low-energy lamps, reduction and full compensation of CO_2 emissions;
- to strive for a reduction of the environmental impact of waste through prevention, separate collection and recycling;

- research into and implementation of further measures to promote a more environmentally-friendly car fleet;
- active provision of information to staff about paper consumption, transport and energy consumption.

1.9 Corporate social responsibility

Delta Lloyd Group sees its social responsibility as an inherent part of its entrepreneurial role, and therefore has high ambitions in the area of corporate social responsibility.

Corporate Social Responsibility (CSR) is high on Delta Lloyd Group's agenda. Social commitment is an essential part of a financial service provider's licence to operate. Building on this clear standpoint Delta Lloyd Group puts the principles of corporate social responsibility into practice in all fields.

Corporate social responsibility involves the aspiration to make a positive contribution to the progress of staff and society, profitable economic growth and care for the environment. Delta Lloyd Group subscribes to the great significance of this aim and sees its social responsibility as an inherent part of its entrepreneurial role. The company is consequently working hard on a formal, coherent and transparent policy in this field.

1.9.1 Policy development and embedment

Delta Lloyd Group is ambitious when it comes to CSR, therefore the Group is active in various policy fields. Objectives have been formulated and an action plan drawn up for every policy field. It has been decided to embed CSR in the core activities. The progress of the CSR policy is discussed twice yearly by the Executive Board as a regular agenda item.

The responsibility for CSR within the business units rests with the divisional presidents. They see to it that the right people are involved in the CSR activities in the divisions. Which specialists or staff members are best suited to perform which activity is determined on a case by case basis.

1.9.2 Reporting and audits

In recognition of the importance of good CSR reporting, Delta Lloyd Group has published a Corporate Social Responsibility report since 2004. Delta Lloyd Group thus aims to give structural insight into its policy and the activities undertaken in the field of corporate social responsibility.

The CSR report relates to all national and international activities of Delta Lloyd Group and contains both quantitative and qualitative data. The guidelines of the Global Reporting Initiative (GRI) provide the basis for CSR reporting, but it is necessary to make a critical assessment in order to identify the most relevant issues from Delta Lloyd Group's perspective. Delta Lloyd Group sees this form of reporting as a learning process in which it sets steadily higher demands. By formulating concrete targets, the Group aims to achieve continuous improvement. The report is verified by PricewaterhouseCoopers Accountants.

2 Report 2006

2006 - Strong performance and sustainable growth

In 2006, the year that Delta Lloyd Group celebrates its 200th anniversary, the Group can look back on historical figures: the result improved sharply. With a result before taxation of € 845 million and a net result of € 711 million, total income of € 8.4 billion as well as stable premium income of € 5.8 billion, Delta Lloyd Group reaffirmed the soundness of its strategic choices.

2.1 Report of the Executive Board

In millions of euros	2006	2005
Delta Lloyd Group Consolidated		
Gross premium income, Life	3,145.7	3,771.7
Gross premium income, General	1,166.6	1,164.5
Gross premium income, Health	1,503.1	780.8
Gross income on premiums	**5,815.3**	**5,716.9**
Investment income	2,130.5	3,347.7
Fee and commission income	328.7	306.2
Other operating income	107.0	95.9
Result on disposal of subsidiaries	-	14.5
Total income (ex reinsurance premiums and movement in premiums reserve)	**8,381.5**	**9,481.2**
Result before tax	845.0	551.6
Current tax	134.3	120.0
Net result	**710.7**	**431.6**
Total capital and reserves	4,605.7	3,774.1
Permanent staff at year-end in FTEs	6,446	6,184

Delta Lloyd Group's strong performance in 2006 represented a sharp increase (53%) on last year. This advance was driven by various factors. One important factor is the measurement of insurance liabilities at fair value since 2005. The active management of the duration mismatch between liabilities and assets yielded good results in 2006. Secondly, provisions for guarantee products were released due to the rising interest rates and credited to the income statement. And finally, realised capital gains were boosted by the buoyant equity markets. This increase more than compensated the decline in the value of the bond portfolio, also when measured at fair value.

In 2006, Delta Lloyd Group further bolstered its equity position. Shareholders' equity increased by 22% to € 4.8 billion. The solvency of the entire Group, including its banking operations, rose by 297% (2005: 264%). The solvency of the Dutch insurance businesses (including holdings) increased to 374% (2005: 322%), thus illustrating the strength of the Group's core activities. The BIS ratio of Delta Lloyd Banking fell to 10.9 (2005: 11.2). Standard & Poor's reaffirmed its AA^{-} ratings for Delta Lloyd Life and General.

The premium income of the Group increased by 2% to €5.8 billion, largely due to the consolidation of the national health activities and the growth in premium income at General. The Group is continuing to focus on profitability over volume. This sometimes comes at the expense of market share, as in the case of single premiums and immediate annuities. Given the development of gross premium income, the Executive Board believes that further improvement is required here. Strong expansion of market share is imperative to sustain good results into the future. Delta Lloyd Group therefore retains a sharp focus on reinforcing its strategic activities through mergers, acquisitions and partnerships. In addition, the Sharing programme, which involves the launch of a new organisational model aimed at growth, service and efficiency, marked the start of the next phase of its 'The Future Secured' strategy.

2.1.1 Segmental results

Life

Total gross life premium income decreased by some 16% to € 3.1 billion, mainly due to lower premium income in Germany and Belgium. In the Netherlands, premium income of Delta Lloyd Insurance remained virtually flat. After strong growth in the previous years, OHRA and ABN AMRO Insurance were faced with a decline, partly due to the heavy competition in the field of group pension contracts and personal life insurance.

Life business profitability under IFRS received a strong boost from the surging equity markets and rising interest rates, which permitted the release of provisions previously set aside to cover the risks of low interest rate levels. The IFRS-based result before taxation tripled from € 236 million in 2005 to € 729 million. The rising interest rates and Delta Lloyd Group's good equity investment returns had a positive impact on the EEV level in 2006. Ultimately the EEV rose by 25% to € 5.8 billion during 2006.

The *Life European Embedded Value Operating Return* (LEOR) fell, however, by 9% to € 319 million. The most important cause was the low interest rates at the start of 2006. The projected result for 2006, the largest component of LEOR, was based on these low interest rates.

New business contribution contracted by 53% to € 27 million. Of this, 39% was attributable to the lower interest rates at the start of 2006, which serve as the basis for the valuation of new business. The actual difference of 14% was due to the lower-than-expected new business volume.

European Embedded Value (EEV)

Movement in EEV (in millions of euros)	2006
Reported EEV on 1 January 2006	**4,635**
- Adjustments	15
EEV on 1 January 2006	**4,650**
- Value of new life business	27
- Profit on existing life portfolio	292
Life result based on EEV (LEOR)	**319**
- Difference due to investment returns	65
- Impact of change in economic principles	582
- Dividend/capital injection Delta Lloyd Group life businesses	167
EEV on 31 December 2006	**5,783**

General insurance

The Group's general insurance activities also performed extremely well in 2006. Gross premium income increased by 3% to € 1.2 billion in a highly competitive market with strong pressure on premium rates and margins. The new supplementary insurance products under the Work and Income (Ability to Work) Act *(Wet werk en inkomen naar arbeidsvermogen / WIA)*, but also car and commercial fire insurance, witnessed a fierce struggle for market share. The result still reflects healthy profitability. The Combined Operating Ratio (COR) improved further to 89% (2005: 91%) and general insurance business provisions developed extremely favourably. As a result, general insurance business achieved a strong result of € 189 million (2005: € 228 million).

Health

The Group's health operations got off to a difficult start in 2006. After the launch of the new health system, 20% of the consumers switched to a new health insurer, mainly for price reasons. The quality of the Group's products was insufficiently acknowledged by the market, causing both OHRA and Delta Lloyd to lose a substantial number of existing customers. In the run-up to 2007 both OHRA and Delta Lloyd achieved good campaign results, thus ending the year 2006 with over 0.7 million new customers.

Due to the consolidation of the national health activities, the gross premium income grew to € 1.5 billion (2005: € 0.8 billion). The result was slightly negative (€ -2 million) due to unchanged health overhead costs, whereas the number of customers fell and extra costs were incurred for the launch of the new health system.

To maximise the leverage of internal synergies between the health operations, the boards of the healthcare businesses were merged in June 2006. This was done to achieve tight campaign coordination across the Group's various labels, restore the service levels as quickly as possible to a good level and capitalise immediately on synergy benefits. From 1 January 2007, the health activities of Delta Lloyd and OHRA Health have been positioned as a white label. In addition, a reorganisation will be launched to improve efficiency. Further increases in scale (at least 2 million customers) are necessary to achieve a sustainable position in health.

Banking

Owing to the tight interest margin, the Banking Division saw its results decrease to € 27 million (2005: € 35 million). Competition in the mortgage market was fierce and, in view of the focus on profitable origination, the Group only partly followed the price cuts. As a result, the market share shrank to 1.3% (2005: 1.8%). In Belgium the market position of Delta Lloyd Banking was strengthened by the full merger of Delta Lloyd Bank with Delta Lloyd Securities. The number of sales outlets of the bank in Belgium thus grew to 250, comprising 110 Delta Lloyd Bank branches and 140 agencies.

Asset management

Net new assets amounted to € 677 million (2005: € 1,516 million). This decline was mainly due to the limited interest in bond funds as a result of the rising interest rates and the absence of fund launches in 2006. Equity funds, by contrast, were popular. Third-party sales are continuing to expand. In 2007 Asset Management will set its sights on concluding contracts with a number of major distribution partners as well as on Germany and Belgium. In 2006, Rabobank in particular distinguished itself as a new distribution partner. The result of Asset Management advanced strongly to € 54 million (2005: € 46 million).

Assets under management increased to € 60.7 billion, of which property investments accounted for € 2.1 billion. The Group's proprietary financial assets portfolio outperformed the benchmark, and again gave a strong boost to the result. Property also had a good year. The return on the total property portfolio was high (12%). This was the consequence of substantial realised and unrealised gains on the successful sale of offices and a positive revaluation of the portfolio. The acquisition of the property portfolio of the Nedlloyd Pension Fund was the largest purchase in the history of Delta Lloyd Property.

Costs and efficiency

The 'The Future Secured' strategy is aimed at realising sustainable growth through a powerful distribution network and strong brands. Though the consistent implementation of the strategy again clearly bore fruit in 2006, the Group still sees lots of opportunities for improvement. Despite stringent cost control in the past years, the costs are rising again (up 11%) due to major investments in e.g. ICT, the introduction of the new health system and the development of products in response to the new Pensions Act. In this connection the number of temporary employees and external consultants was also higher than usual. The number of permanent staff showed a small increase to 6,446 FTEs, due to the consolidation of the national health activities (320 FTEs).

One important answer to this trend is efficiency gains and volume growth, particularly in the commodity market. For this reason, a lot of effort went into the preparations for the Sharing programme in 2006. This programme is aimed at the segment-specific centralisation of product development, the sharing of administrative tasks and the creation of central IT platforms within these segments. The newly set-up General Insurance Product Group, the restructuring of the health activities and the formation of a central ICT organisation are the first steps in this direction. Apart from a structural reduction in costs, this will also translate into a more market-driven focus and a better proposition for customers. The programme will be carried out in 2007 and 2008, and is designed to enable the Group to capture a top three position in the Dutch insurance market.

In addition, the Group sees further growth potential in complex insurance markets such as pensions and commercial general insurance. Partly on the strength of the Growth Pension Strategy developed in 2006, Delta Lloyd Group is also well-positioned to generate sharply higher premium income in this market in the coming years.

2.1.2 Outlook for 2007

Delta Lloyd Group expects to realise an increase in gross premium income in 2007 across all sectors. It is Delta Lloyd Group's policy not to give any guidance on its profitability.

2.1.3 Strategic framework

For years, Delta Lloyd Group has been working consistently and purposefully on the implementation and reinforcement of its strategy. In 2006 this strategy was again expanded in scope and substance.

The long-term policy of the Group is primarily focused on realising strong growth, extensive distribution power, wide-ranging services, efficiency and cost control. These strategic principles ensure that Delta Lloyd Group is able to deliver on its promise to stakeholders: to provide security through income protection, asset growth and risk cover.

Over the past years the Group has grown from a Dutch insurer with predominantly domestic operations into a strong, international full-service provider. To achieve this, the strategic course until 2004 was firmly focused on obtaining multiple distribution channels and pursuing expansion, mainly in pensions, life insurance and asset management, through both organic growth and targeted takeovers and acquisitions. In a step-by-step process these strategic ambitions were progressively attained. Key strategic milestones included the merger of Delta Lloyd with NUTS OHRA in 1999 and the joint venture with ABN AMRO Bank in 2003. The sale of the operations on the Netherlands Antilles and Aruba at the end of 2005, and the disposal of the Luxembourg business, further sharpened the focus on core activities in the Netherlands, Belgium and Germany. Since 2006 the Group's sights have been principally set on growth, high customer satisfaction and greater efficiency. To this end, the Sharing programme has been set up while partnerships and acquisitions are being actively sought. The proposed merger of Delta Lloyd & OHRA Health with health insurers Agis and Menzis also dovetailed with this strategy. Though this alliance ultimately failed to materialise, Delta Lloyd Group shall continue to pursue strategic increases in scale in this sector with undiminished vigour.

2.1.3.1 ‘The Future Secured’

Political and economic events have an impact on the insurance sector, however, and regularly require adjustments to what is a fundamentally sound and solid strategy. Against this background a renewed strategy dubbed ‘The Future Secured’ was unveiled in mid-2004. Building on the existing strategic framework, the new strategy is designed to respond to our constantly changing world. At the time, five strategic pillars were defined for the coming years: reputation, distribution power, efficiency, expertise and core values. These pillars have been developed on an ongoing basis, also in 2006: a long-term strategy has been formulated for the period until 2020, taking on board the significance of this strategy for the policy today as well as for the coming years.

2.1.3.2 Strategic pillars in 2006

Reputation

A programme for reputation management, set up together with the Erasmus University Rotterdam, has improved our ability to monitor and develop our reputation among both internal and external stakeholders. Delta Lloyd's new brand campaign, which was launched in September 2006 (‘Niets is zeker... zeker Delta Lloyd’) *(Nothing is secure... only Delta Lloyd)*, underscores that the bank not only stands for insurance, but also for investing and banking. The key message being communicated is: Delta Lloyd is a financial service provider that displays a deep and wide-ranging interest in the lives of its customers and uses its in-depth knowledge to produce sophisticated solutions. OHRA's brand campaign (‘Kan-ie? Bij OHRA wél’) *(‘Ready? OHRA is’)* emphasises the multiple options OHRA offers by communicating its insurance, investing and banking services together rather than as individual activities. The cooperation with ABN AMRO Bank was underlined by our partnership in Team ABN AMRO, which participated with two boats in the Volvo Ocean Race, the world's most extreme sailing event. The ABN AMRO ONE was the runaway overall winner. The Volvo Ocean Race was a success; not only in sporting terms, but also as regards media attention and reputation. The race ranks among the top 20 global sports events, drawing a total of 1.8 billion television viewers. The good sporting result was overshadowed by the tragic death of Hans Horrevoets, crew member of ABN AMRO TWO. This boat was manned with talented sailors under age thirty.

In the closing months of 2006 there was a public and political outcry over unit-linked insurance products. This has dented the customer's trust that is so crucially important to our business. Delta Lloyd Group already pursued a policy of openness, providing customers with cost breakdowns of unit-linked insurance products on request. But in response to the social concern over this issue and the debate about transparency, the Group immediately implemented further measures. Extensive information was posted on the OHRA and Delta Lloyd websites. Every year policyholders are informed of their product's cost structure (premium, advisory costs, administrative charges). Following the publication of the advice of the De Ruiter Committee, Delta Lloyd Group actively began implementing the committee's recommendations. In the first quarter of 2008, the Group will inform all its policyholders of movements in existing unit-linked insurance policies, in conformity with the models recommended by the committee.

Distribution power

From 1 January 2007, all insurance business of Bouwfonds Hypotheken, part of ABN AMRO Mortgage Group, has been placed within ABN AMRO Insurance. New insurance business of MoneYou, ABN AMRO's online mortgage provider, has also been transferred to ABN AMRO Insurance. This represents a substantial new business flow for ABN AMRO Insurance.

The distribution power was bolstered further by replacing Berlinische Leben with the Delta Lloyd Leben label in the German market effective from 1 August 2006. The focus on core activities and core markets also led to the sale of Bank Nagelmackers in Luxembourg. From 1 January 2007, Delta Lloyd acquired the shares in Eurolloyd. In taking over this intermediary insurance business Delta Lloyd strengthened its position in the Dutch commercial market. The number of agreements for third-party distribution of mutual funds increased. In 2006, ING Bank and Rabobank started selling Delta Lloyd mutual funds. The partnerships with non-sector organisations such as the ANWB (Dutch Automobile Association) and Kruidvat (a chemist chain) contributed to an appealing broadening of the existing distribution channels. Both now sell OHRA products, with Kruidvat carrying these under its own label. In Belgium the number of sales outlets of the bank grew to 250, consisting of 110

Delta Lloyd Bank branches and 140 agencies. Lancyr, a franchise organisation set up by Delta Lloyd to support independent insurance intermediaries, has developed into a chain of 65 outlets and has the ambition to grow towards a total of some 200 affiliated insurance intermediaries.

Another innovative and promising development concerns the concept of a virtual insurer, Virtes Verzekeringen. This company, which was launched in mid-2006, forms part of OHRA. Virtes is a white label organisation that delivers products at a net price to various brands, including external partners. Operating under the various brand names, Virtes takes care of all administrative and telephone activities related to the product sales. In doing so, it makes use of the cheapest processing services on offer, inside or outside the Group. Virtes can be seen as a concept of the future: customers can purchase competitively-priced insurance products at a growing number of outlets, including at non-insurers such as car dealers or large retail chains, and still count on an extensive and expert insurance service.

Efficiency

Efficiency and scale are essential for Delta Lloyd Group. The further development of the sharing and centralisation of activities in 2006 paved the way for adjusting the organisational structure in 2007 to a model that is geared to the Group's growth ambitions. The implementation of this transition will be a major challenge in the coming two years. In the final six weeks of 2006 the presentation to employees of the ‘Sharing programme 2007-2008’ got under way.

Expertise

Driven by a strong focus on commercialism, the development of expertise in 2006 mainly took the form of commercial training across the organisation. All employees, at all levels and in all divisions, including the Executive Board, attended training sessions aimed at encouraging entrepreneurship and strengthening customer focus. A trailblazer programme will be introduced in 2007 to embed this theme on a structural basis. Knowledge was also developed in the fields of actuarial expertise (EEV, ICA, RBC) and risk management, where the Group is at the forefront of developments. Drawing on the available in-house expertise, Technical Insurance insured large-scale projects such as Q7, an innovative offshore wind farm and land reclamation projects in Dubai.

Core values

The extent to which the core values of Delta Lloyd Group have become an inherent part of the organisation is clearly demonstrated by the outcomes of the employee satisfaction survey. In 2006 the survey was also held for the first time in Germany and Belgium. One striking result was that 95% of all employees are somewhat or fully familiar with the Group's core values. Moreover, an overwhelming majority of 80% mentions the core values as a guiding factor in their actions.

2.1.3.3 Towards a new organisational model

The gradual transition in the coming years towards a new organisational model for the insurance operations is an important strategic step for Delta Lloyd Group. The Group is aiming to secure a position among the top three insurers in the Netherlands by 2010, which is a prerequisite for a successful continuation of operations in the future. A doubling of premium income is necessary to achieve this. That growth must be largely realised through the sale of commodities, i.e. standard products for the personal and small business market, which account for a substantial portion of the Group's business. The accelerating pace of change in this market is creating opportunities for

growth. Bearing in mind that the competitive struggle in this market is mainly being fought on price and (fast) availability, scale and cost effectiveness are essential. But quality and service also need to be raised; customers are demanding an extensive range of products that suit their personal circumstances and are simple and transparent. Innovative applications using new technologies such as the internet are also key to acquiring new clients and retaining existing ones.
Complex, advisory-sensitive products, for both personal and commercial customers, constitute an important pillar within the Group's insurance operations. This market also offers clear growth potential but differs in some essential aspects from standard products: risk pricing is customised, sales are advice-driven rather than price-driven and margins are wider. The main thing here is to keep a clear focus on marketing and sales.

Sharing

Sharing is Delta Lloyd Group's answer to all these developments in the Netherlands. The Group's old business model was principally aimed at reinforcing distribution power: all business activities being performed under the same label were placed in principle under one roof. The achieved economies of scale are not yet being used to sufficient effect, however. Market developments and the strategic need for growth and greater efficiency call for a new model.
The Sharing programme seeks to maximise sharing and eliminate duplication of operations, IT systems, processes and products. More specifically, it is aimed at product harmonisation, back-office & IT sharing and labels that are exclusively differentiated by price, distribution concept and services.

Labels and product groups

In the adjusted organisational structure, which Delta Lloyd Group aims to have in place by the end of 2008, the back-offices will be incorporated in product groups. Reporting directly to the Executive Board, these product groups will provide services to all divisions. The currently envisaged product groups include: General Personal, Income & Absenteeism, Life Personal and Pensions. This will be worked out further by means of business cases. The banking and asset management activities were already integrated at an earlier stage. The sharing in product groups at the 'back' gives the individual labels at the 'front' more time and scope to focus on their customers. These developments are supported by the creation of a central ICT organisation, led by a CIO.

The Health operations of Delta Lloyd and OHRA, whose planned merger with Menzis and Agis into a separate Health group was abandoned, will be integrated and positioned as a 'white label' group in the coming year. Economies of scale remain as crucial as ever in the health sector.

Sourcing

Part of the Sharing programme involves the outsourcing of non-core tasks. Having previously outsourced the management of the complete IT infrastructure in the Netherlands to IBM, the Group contracted out the entire staff administration with effect from 1 January 2007. Outsourcing is of great strategic importance to Delta Lloyd Group. To remain competitive, it is necessary to take advantage of the expertise and scale of third parties. Outsourcing decisions invariably depend on whether or not the task in question can be considered part of the core business. Another crucial consideration concerns the extent to which Delta Lloyd Group can continue to control the tasks once these have been outsourced.

Transitional period

The timescale of the Sharing programme has been set at two years. During the transitional period, some ten projects must be carried out, including the formation of product groups, the development of shared IT platforms and the centralisation of the ICT organisation at Group level. In due course several support functions and expertise centres will also be set up at group level.

The decision to implement a gradual transformation of the organisational model was a careful choice. Control is a greater priority than speed. The customer's interest comes first and foremost: Delta Lloyd Group wants to avoid any deterioration of market performance during the transition. The consequences for staff will be mapped in the coming period.

2.1.3.4 Long-term strategy beyond 2010

'The Future Secured' looks ahead to about 2010, a horizon for which developments are reasonably predictable. Insurance is a long-term business, however, so it is also necessary to form a picture of what lies in store in the more distant future.

In the past years, scenario analyses were made at all levels of the organisation. This involves looking towards the future in a structured manner and mapping out the significance and consequences of future contingencies in relation to the core competences of the Group. In what context do we expect to be operating in 10, 15 or 25 years? And what are the implications of these assumptions?

Interviews were held with the Delta Lloyd Group management, as well as with prominent representatives from science, politics, public interest organisations and, of course, the insurance sector to identify the most important certainties and uncertainties of the future. These outcomes were used to develop two long-term scenarios. The first scenario, referred to as 'Boundless World', describes a dynamic and optimistic world full of openness, trust and cooperation. The other scenario, 'The Great Divide', assumes barriers and polarisation between people and cultures, and inward-looking societies and countries. The two scenarios are extremes which, no doubt, will both prove partly realistic.

Next, the possible implications of the two scenarios for the financial services sector were mapped out. The diverse sources of input included workshops held with managers and young talent from all units of Delta Lloyd Group. They were asked to answer such questions as: looking ten years ahead, will we be living in a world where people arrange things collectively with one another or will it, by contrast, be an extremely individualistic world? Will people still be seeking security and, if so, to what extent? And how much solidarity can we expect between groups and individuals?
In the coming years, Delta Lloyd Group's operations will be regularly reviewed against these scenarios to enable the Group to more quickly and effectively anticipate the needs of our changing society.

In 2006, the outcomes of these workshops were used to formulate a long-term strategy for the period until 2020. This long-term strategy will operate alongside the current 'The Future Secured' strategy. For each business line and Group function, the conclusions were translated back to the significance for today's policy, and strategic actions for the coming years were defined.

2.1.3.5 Opportunities / challenges analysis

The current market circumstances, the Group's market positioning and the strategic developments make up the opportunities and challenges for the Group. They are summarised below.

OPPORTUNITIES / internal

- financial expertise
- financial position (assets and financing), investment results
- full service provider, comprehensive range, strong brands with constantly improving recognition and reputation
- organisational shift to shared services (resulting in efficiency and growth)

CHALLENGES / internal

- dependence on equity markets and interest rate movements
- further improvement of customer focus
- need for simplification of processes and standardisation
- long lead time of new products

CHALLENGES / external

- increasing regulatory pressure
- entry of banks into the insurance market
- consolidation in the financial markets
- impending shortage of good staff
- ageing
- high costs of ICT investments
- reputation of insurers under fire

OPPORTUNITIES / external

- strong economic growth (purchasing power, low inflation, low tax rates)
- new distribution channels, internet
- individualisation
- active over-65 population

2.1.3.6 Objectives for 2007 - 2010

'The Future Secured' formulates a number of clear objectives for the coming years, i.e. the period until 2010. The scenario-based strategy development formulated in 2006 complemented these with a number of strategic action plans. The ambitions are high.

- Objectives: Insurance operations in the Netherlands
- Objectives: Asset Management and Property
- Objectives: Banking
- Objectives: Germany

- Objectives: Belgium

Objectives: Insurance operations in the Netherlands

One key objective is to strengthen the distribution power, for example through the further expansion of the three strong brands: Delta Lloyd, OHRA and ABN AMRO Insurance. This will be done by emphasising volume growth, efficiency and profitability. The Sharing programme will give a major boost to the achievement of this objective.
Delta Lloyd Insurance is pursuing this by responding optimally to the intermediary's needs and providing state-of-the-art professional knowledge and expertise. In this connection Delta Lloyd is also striving to play a vanguard role in the field of chain integration, while paying special attention to the SME sector.
ABN AMRO Insurance is working to strengthen the relationship with ABN AMRO Bank, to double the number of ABN AMRO customers purchasing insurance at the bank from 15% to 30%, and to sharpen its focus on the commercial market. OHRA is seeking to improve accessibility and convenience through the internet, white labels, product transparency and integrated customer service, and to sharpen its focus on the commercial market.

In order to be competitive, the health business of Delta Lloyd Group must achieve sufficient scale in the coming years. Scale will reinforce its position in health procurement. In addition, the Sharing programme will yield cost benefits thanks to increased efficiency.

Life, General and Health are aiming for a top three position in 2010, through both autonomous growth and non-autonomous growth (strategic alliances, mergers and acquisitions). To achieve this ambition, premium income must double.

Objectives: Asset Management and Property

Delta Lloyd Asset Management must develop into an asset manager with an independent market position and strong reputation. Asset Management is also seeking to expand its range of investment products and thus boost its assets under management. The third-party distribution network will be expanded for this purpose so that sales of existing and new investment products will increasingly be channelled through retail banks. In addition, Asset Management wants to step up distribution in the Belgian and German markets.

Delta Lloyd Property aims to develop from a traditional property manager into a property fund manager for all of the Group's divisions and ultimately also for third parties. To this end, Property will be integrated into Asset Management in the course of 2007. Delta Lloyd Property will also remain essential to ensuring risk diversification in the investment portfolio: over the past 25 years 'investments in bricks and mortar' have yielded stable solid returns. This stability, based on a constant and indexed flow of rental income, means that the property component in the investment portfolios of pension funds and insurers is set to increase in the future.

Objectives: Banking Division

Delta Lloyd Banking aims to grow further both in the Netherlands and in Belgium. The changing market for financial services offers scope for this. The primary focus of Delta Lloyd Banking in this connection is on increasing its distribution capabilities. In the Netherlands this is to come both from the existing channels and the creation of new distribution channels. In Belgium the emphasis is on raising the number of sales outlets. In addition, further efficiency improvements will be pursued through rationalisation of systems and processes.

Objectives: Germany

As the largest market in Europe, comprising 83 million consumers, Germany offers vast growth potential. The ambition is to increase the market share from 1% to 3-4% by 2010, with a focus on the Group's core life and pension products. Key ambitions in Germany remain to increase scale and strengthen the distribution power. One specific avenue of growth is to boost sales through banks; in this context bancassurance partnerships will continue to be sought in 2007.

Objectives: Belgium

Delta Lloyd Life aims to increase profitable sales over the coming years through intensified cooperation with Delta Lloyd Bank, a sharper focus on the intermediary channel and partnerships with other financial service providers. Life insurance in Belgium is part of the Group's core business as this country still offers plenty of opportunities, notably for pensions. Delta Lloyd Group is seeking to secure a position in the top five with profitable life and pension products.

Summary of Delta Lloyd Group's objectives

The strategy and strategic objectives of ‘The Future Secured' are supported by commercial, financial and social objectives. The table below details the results in the reporting year and the progress compared to 2005 for all these objectives and indicators.

Indicator	Objectives	Result 2006 (2005**)
Strategic objectives		
1. Reinforce distribution power	Expand distribution through strong brands by focusing on volume growth, efficiency and profitability	• Volume growth (GWP) 4% (2005: 6%) • Efficiency (expense ratio) 13% (2005: 9%) • Profitability (ROE) 16% (2005: 13%)
2. Market leader in life new business	Retain position (annually)	Until end of Q3 market leader in new business in the Netherlands
3. Increase synergy & efficiency	Launch of shared service centres: • General - 2006 • Health - 2007 • Life - 2008	Launch of shared service centres: • General Personal completed in 2006 • Health 2007 • Life 2008
Commercial objectives		
4. NAPI Delta Lloyd Group	>= € 600 million in 2008	415 (2005: 457)
5. Market share (GWP) in the Netherlands*	>= 15% in 2010	9% (2005: 9%)
6. Sufficient scale in Health in the Netherlands	Alliance of two million policyholders by 2007	0.7 million of health policyholders (2005: 0.8)
7. Market share (GWP) in Germany	>= 3% in 2010	1% (2005: 1%)
Financial objectives		
8. COR General / Health	<= 100%	• General 88.9% (2005: 90.5%) • Health 103.2% (2005: 101.3%)
9. Profitability after taxation (ROE)	>= 13%	16.2% (2005: 13.5%)
10. Group solvency (excl. Banking Division)	At least 150% after crash scenario	322% (2005: 285%)
11. Bis ratio of Banking Division	>= 10	10.9% (2005: 11.2%)
12. Standard & Poor's rating for Delta Lloyd Life and Delta Lloyd Generale	AA in 2010	AA- (2005: AA-)
Social objectives		
13. Responsible social services	Annual CSR report in line with GRI guidelines	2006: fine-tuned, verified by PwC
14. Diversity policy (units in the Netherlands)	Women in leadership positions:	• Team leaders 25% (2005: 25%) • Managers 21% (2005: 23%) • Directors 16% (2005: 11%)
15. Product analysis from perspective of core values	All businesses by 2007	Testing model developed, analysis started in 2006
16. Develop and apply sustainable asset management criteria	Implemented in 2008	Started
17. Develop integrity radar	Implemented in 2007	Started

* Source: AM Yearbook 2006 (figures 2005)
** 2005: excluding ENNIA Caribe

2) The distribution of market share in the Dutch Life Market is actually stable, but due to the merger of two major players, Delta Lloyd Group is no longer market leader.

3) The Sharing programme has been rolled out, providing for the formation of a number of product groups, a white label insurer and various shared assessment centres. In addition, the ICT function has been centralised. All adjustments are on schedule; the General Insurance Product Group became operational on 1 January 2007.

4) Based on current insight, the NAPI objective must be adjusted to € 600 million in 2008.

5) Growth can be achieved organically and through partnerships, mergers or acquisitions.

6) The proposed merger to achieve this objective was called off, but the strategic need remains high.

7) There is no growth in market share in Germany. Partnerships and acquisitions remain high on the agenda for 2007.

10) Figure for 2006 indicates actual solvency, which is well above the minimum standard.

17) Develop and apply criteria for sustainable asset management.

18) In 2007, a group-wide assessment will be carried out to establish how employees deal with fraud, integrity and security issues, after which targeted efforts will be undertaken to develop knowledge and behaviour.

2.1.4 Threats and opportunities in the financial services market

The Dutch financial services landscape is undergoing rapid and radical change. Not only due to the politically-driven health and welfare reforms, but also as a result of such factors as persistent price competition, collectivisation of personal demand, the emergence of new distribution channels and the rising calls for transparency. Consumers, providers and regulators are thus jointly creating an entirely new playing field.

Due to the rapidly changing playing field, financial services has become one of the most turbulent sectors of the Dutch economy. But that also has its upsides. After all, a market in flux provides fertile ground for well-positioned professional players. Whoever manages to reduce costs and compete on price can tap into lucrative growth opportunities. Players with the innovative power to extensively integrate the internet into other distribution channels can gain competitive advantages. Those who manage to offer innovative concepts to the commercial market can look forward to rich pickings. And businesses that wholeheartedly embrace transparency can build vital customer trust.

In short, Delta Lloyd Group faces major challenges in the years ahead. On the one hand, these lie in capitalising on demographic trends such as ageing, social security reforms and the introduction of additional market forces; on the other hand, in responding adequately to the new competitive pressures and the changing demands of the market. With its three distribution channels and shared back offices, in combination with a strong customer and commercial focus, Delta Lloyd Group is well-positioned to seize these opportunities.

2.1.4.1 Towards a new social security system

In the past years political decisions have had major implications for insurance companies and customers. Under the adage ‘from welfare state to participation state' the government abolished the early retirement and pre-retirement pension schemes, the old Invalidity Insurance Act (Wet op de Arbeidsongeschiktheidsverzekering / WAO) was replaced with the Work and Income (Ability to Work) Act *(Wet werk en inkomen naar arbeidsvermogen / WIA)*, the hotly-debated life course saving scheme saw the light of day, the Unemployment Insurance Act *(Werkloosheidswet / WW)* was overhauled and the basic health insurance was introduced to replace the former two-tier system of national and private insurance.

The government has thus embraced market forces in a bid to curb the soaring health and welfare costs and to prevent these costs from spiralling further as a result of the ageing population and the internationalisation of the economy and the job market. This dynamic new environment is rife with new chances for insurers: smaller government is clearly creating major opportunities for insurers. The potential for growth is huge, particularly in the field of income protection and provisions for the future. But it is also giving rise to numerous unwelcome uncertainties. The government seems to lack a uniform and long-term vision and as a consequence of this, according to the Social and Economic Council of the Netherlands *(Sociaal-Economische Raad / SER)*, the twin issues of economic dynamics and social cohesion are not receiving sufficient priority. In 2006 this compelled the Dutch Association of Insurers to draw up a political agenda, pressing for more entrepreneurial scope for the insurance sector. Insurers are able and willing to play a prominent part in the implementation of social security, but must be given sufficient latitude and responsibility to pursue this role. Delta Lloyd Group, too, is advocating more scope for individual choice, the stimulation of a higher labour participation rate, a drastic reduction in the regulatory burden on citizens and entrepreneurs, the further liberalisation of the health system: these are, in the Group's view, all prerequisites for strengthening the competitiveness of the economy and providing society with a solid economic base.

New health system

One important development in the Netherlands is the new health system which – after years of debate – was introduced on 1 January 2006. To rid the sector of ingrained inefficiencies, market forces must be given freer play. The insurers are consequently being given a greater role in operating the health system. They are expected to curb the mounting costs, broaden patient choice, enhance efficiency, shorten waiting times and improve the quality of care. The insurers are willing, but their hands are tied by rules that restrict their ability to 'steer' this process. And the health market is also still far from business-driven: market forces, for instance, are only permitted to affect 10% of hospital treatments. Unless market forces are given freer rein in the healthcare sector, there is the risk that a growing share of national income will be swallowed up by an inefficient and customer-unfriendly health services system.

Life course saving scheme

The life course saving scheme introduced by the previous government seems to be severely marred by a lack of long-term vision. The scheme is interesting for the banking and insurance market and, thanks to its simple design and structure, is relatively easy to implement and expand. It is anticipating the wishes and needs of future generations that will be increasingly responsible for their own welfare provisions. Delta Lloyd Group believes that the life course saving scheme is set to become an important backbone for the social security system of the future. And, with some modifications, it could become an instrument that would greatly enhance the flexibility of the Dutch labour market. To this end, the scheme should be transformed into a personal employment insurance that provides protection against occupational disability and unemployment. Any remaining balance on the life course savings account could then be used to absorb the consequences of demotion or early retirement, and ultimately as a supplementary pension. This would allow the future costs and risks of social security benefits as well as (pre-)retirement pension to be spread, allowing the government to focus on providing a social safety net for people who are genuinely socially disadvantaged. This plan could be funded from the elimination of unemployment and occupational disability contributions. To make such a plan work, employers and the self-employed would have to pay the annual maximum of 12% of the yearly salary into the life course saving scheme. In addition, the current restriction maximising the total life course savings balance at 210% of the last-earned annual salary would have to be lifted. However, because the government is unable to resolve the salary versus life course saving discussion, the scheme is being given

insufficient opportunities to prove its merits.
The expectation at Delta Lloyd Group is that interest in the life course saving scheme will grow steadily over the coming years, while the scope of the scheme will be widened. Delta Lloyd Group has several schemes on offer, tailored to the different target groups.

New Pensions Act

To absorb the consequences of the ageing population and the falling number of young people in the job market, the Dutch government has introduced a series of initiatives over the past years to get more people into work. Rigorous measures have been taken, as part of the government's strong commitment to keep the pension system affordable for future generations and to counter the ageing problem. One such measure was the abolition of tax relief on early retirement and pre-retirement pension savings for employees under age 55. This effectively raised the retirement age for Dutch workers to 65.
The measures have far-reaching implications for the Dutch three-pillar pension system. This is a tried-and-tested system that offers security to people who are no longer able to earn a living for themselves. It is therefore crucial that the government takes a long-term vision and refrains from ad hoc interventions in the pension system. Delta Lloyd Group has therefore urged the government not to tinker with the pension system itself and instead, to hold a thorough debate about the most suitable system and structure for the future. Answers must be found to such questions as: what is the required degree and form of solidarity, how much freedom of choice should be given to individual citizens and what is the most appropriate implementation structure (with full market forces)?
The new Pensions Act that is due to take effect in 2007 is a clear step forwards. The core element of the new Act is to institute a clearer division of responsibility between employer, employee and pension provider as well as to significantly improve the provision of information on pension issues. But there are bottlenecks. One problem is that all extra pension allowances fall within the scope of the new Act. Allowances firmly pledged must therefore be funded at once. As a consequence, pension providers will be confronted with a substantial increase in the funding requirements that they must meet, leading in turn to a significant rise in the employer's premium costs. The rapid introduction of the Act could also lead to administrative chaos as the insurers will have insufficient time to adapt all existing contracts. In addition, the introduction of a uniform pension statement has the full attention of insurers, and everything possible is being done to achieve uniformity of pension information for participants.

The new Act does not contain stipulations about changes in the implementation system. The prevailing themes remain solidarity and collectivity, and the freedom of choice for companies remains limited as participation continues to be mandatory. The future of the implementation system will be the next important development. To this end, during the discussion of the new Act at the end of 2006, the Lower House of Dutch Parliament adopted resolutions aimed at instigating a national pension debate in 2007 and initiating a study into modernising the system.

Delta Lloyd Group's pension strategy

Ahead of the modernisation of the system, Delta Lloyd Group has developed a group-wide pension strategy that was implemented in 2006. The priority in the strategy is to reinforce the proposition for pension funds which will fulfil a different role in the new market environment. The changed reporting standards (IFRS) make it much less attractive for companies to maintain a defined benefit pension scheme in an in-house pension fund, due to the impact on their balance sheet and income statement. Furthermore, companies who run their own pension fund must comply with new professional management and internal control requirements. Delta Lloyd is a specialised pension insurer offering an innovative product that responds to this new situation where the employer runs no risk and the employee is guaranteed entitlement to a pension.

The strategy also seeks to provide an even better service to insurance advisers who sell the pensions. The customer focus is also reflected in the 'Supplementary Pension online' service that Delta Lloyd has developed for employees and that insurance intermediaries can offer via the extranet (Delta Lloyd Digital Domain). The key characteristics of this product are simplicity, low costs and flexible commission options. With the group supplementary pension scheme, customers can view their pensions online and email queries to a pension helpdesk. Delta Lloyd Group is thus responding to the growing need among customers to keep track of their pension anytime, anywhere.

Yet another priority of the pension strategy consists of improving the administrative and communicative processes for both the corporate and SME markets. The increase in customer satisfaction among pension customers is a concrete result of this group-wide pension strategy.

2.1.4.2 Social security developments in Germany and Belgium

Much of the unrest and uncertainty in the Dutch market is also witnessed in Germany and Belgium. In these countries ageing is taking an equal, if not greater, toll on the social security system in general and pensions in particular.

Belgium

The Belgian pension system is based on the apportionment method, with the working population paying the pensions of those who have retired. In the past years, however, the proportion of over-55s in work has dropped to 37%. By way of comparison: in the Netherlands this percentage is 67%. So Belgium is effectively confronted with a 'double' ageing process, which is making its pension system unsustainable. In 2005 Belgium made a major step towards a new pension system when the government introduced a 'generation pact' which, among other things, raised the bridging pension age from 58 to 60. This led to considerable civic protest but the new direction has opened up avenues of opportunity for insurers. The government has sweetened its austerity measures with tax incentives for both individual and group supplementary pension policies that are taken out through pension providers. One downside for the insurance sector, however, was the introduction of a 1.1% premium tax on individual insurance contracts.

The market abounds with growth opportunities in life products. Ranking eighth in the Belgian life insurance market, Delta Lloyd Life is among the leading mid-size life insurers. The ambition is to achieve a top five position in profitable new business. Delta Lloyd Life will focus in the coming years on intensifying the cooperation with Delta Lloyd Bank and on increasing its market share within the intermediary channel, in both the second pillar (company pensions) and the third pillar (individual wealth accumulation). In addition to the intermediary channel, direct writing will also continue to

receive a great deal of attention.
In the product field Delta Lloyd Life is a distinctive player offering innovative concepts that respond effectively to customer needs. One such concept is the 'cafeteria' model which gives customers the flexibility to spread their contributions over different types of insurance (e.g. pension or life insurance) during the term of the policy. Plans are currently being developed to extend the cafeteria model to the third pillar.

Germany

Germany has already taken its social security reforms a step further. In the early nineties the unification process made it clear that the welfare state was threatening to become unaffordable. Apart from an ageing population, Germany is also struggling with high unemployment. In addition, occupational disability benefits are much higher than in a country like the Netherlands. From 1 January 2005, a new Pensions Act came into force, setting the tone for the future: state pension spending will be significantly reduced and citizens must take out individual supplementary insurance to seek protection against loss of pension rights. The German government wants to keep the state pension contributions stable, while trying to avoid lowering the pensions of the current generation of pensioners. With this objective in mind future pensions will rise much less, if at all, and the statutory retirement age will be raised in phases to 67 in 2035. Insurers have launched a plethora of flexible pension products in response to the statutory changes.
In Germany, changes in tax and social security legislation and regulations have dampened the market. Germany is a fragmented but promising market. The potential customer base of 83 million relatively affluent Germans, combined with an unsustainable pension system, offers vast growth potential. The prospects for Delta Lloyd Germany are consequently good, particularly as the division has proved capable of responding flexibly and quickly to market changes. In addition, an earlier reorganisation has equipped the organisation to handle an increasing level of production at lower costs.
In the coming years, to capitalise on the market potential, Delta Lloyd Germany will focus mainly on the reinforcement of its distribution capabilities. One initiative in this connection involves the agreement that was signed with a large, listed intermediary organisation with hundreds of sales outlets. The development of Delta Lloyd Finanzpartner opens up good prospects. While the mortgage concept developed in 2000 was initially too innovative for the German market, it has now caught on and is being successfully rolled out.
Good propositions are being offered to insurance customers in the form of special Assistance Services. One example is the *long-time care* service that was launched in 2006 as a distinctive and practical response to the needs of elderly customers. This service includes providing a daily lunch for elderly people with health problems and organising kennelling facilities for pets in the event that their owner is hospitalised.

2.1.4.3 Increased competitive pressure

Social security reforms and greater market forces are not the only developments that are creating a new playing field for insurers. Changing consumer behaviour, new market entrants and new technologies are leading to increased competitive pressure. To operate successfully in this environment, acute cost awareness, commercial acumen, customer focus, high-quality products and services and innovative market strategies are essential for Delta Lloyd Group.

Changing consumer behaviour

Social security reforms and greater market forces are not the only developments that are creating a new playing field. Changes in the Dutch health insurance market following the introduction of the new Health Insurance Act *(Zorgverzekeringswet)* illustrate that other factors are also at work. Widespread 'shopping behaviour' among consumers prompted major shifts in 2006; not only in the competitive relations between the various health providers but also in the form of unforeseen developments such as the strong collectivisation of consumer demand. These are the seismic shifts that insurers need to take into account in today's volatile environment, and one of the prime causes is changing consumer behaviour.

In this playing field insurers can no longer rely on customer loyalty. Brand loyalty among customers is diminishing, which is largely attributable to the wider product and service offering. Market pressure and statutory changes have combined to make insurance more transparent for consumers, who are thus better able to compare different product offerings. New technology, such as comparison sites on the internet, enables customers to search on their own for the best product at the best price. Insurers who fail to win a top five position on such comparison sites will have a hard time selling their products. Customers are also increasingly buying online and bypassing the intermediary, particularly for relatively simple products like general and health insurance. As consumers become more confident using the internet, online insurance sales will grow even faster in the coming years. Internet-driven price competition, in turn, will spur demand for less complex and more competitively priced products - standardised products (commodities) are cheaper and easier to compare and, hence, easier to purchase without extensive advice.
Another advantage is the ready availability of standardised products, which are particularly suitable for sale through non-traditional distribution channels such as retail chains. These new market players from outside the sector are adding further competitive pressure. The upshot for insurers is that they must be able to sell and deliver commodities relatively simply and quickly in large volumes at the lowest possible cost.

Competing on price, quality and innovation

The newly empowered customer is demanding excellence of service. This applies to standardised products, but even more so to complex products such as life insurance, pensions and new concepts like the life course saving scheme. Such products require sound advice, risk assessment expertise and tailor-made solutions. These are the ingredients a financial service provider can still use to make a distinctive high-quality product proposition: good advice, good service, good care. But in this segment, too, price is becoming increasingly important. This is evident from the fact that non-tax-assisted banking products are already competing on price with tax-assisted insurance products. Added to this, bank products are in line for tax relief as politicians seek to break the insurers' monopoly and reduce the costs for the consumer. So the expectation is that banks will soon lay claim to a sizeable slice of the life market.

A similar new trend is coming to the fore in the commercial market: group contracts with employers are increasingly taking the form of master contracts where individual employees still need to be persuaded to sign up for the agreed group scheme. This trend is clearly visible both in the new health insurance system and the life course saving scheme, where contracts concluded with employers provide no guarantee for actual employee participation. These developments make a new market approach imperative.

Reinforcing Delta Lloyd Group's market position

With the Sharing programme, which was initiated at the end of 2006, Delta Lloyd Group is responding to the expected market developments and stiffening competition in the area of standardised insurance products. As the competitive struggle in this market is mainly being fought on price and (fast) availability, scale and cost effectiveness are essential. To achieve this, the insurance operations share their activities 'at the back' in product groups, thus giving the labels 'at the front' more time and scope to focus on their customers and deliver the quality and service that customers demand.

To reduce costs and improve quality, existing products are under constant review. In this context a CSR test has been developed for assessing the (social) sustainability of products and processes as well as their compatibility with changing values. This led, for instance, to the decision to analyse and adjust the cost structure of unit-linked insurance products from 1 January 2006. Moreover, ongoing process improvements are increasingly leading to cost savings and thus enable Delta Lloyd Group to enhance its product offering still further.

Alongside this sharp focus on the development of attractive and competitively priced standard products with a high level of service for the three brands, Delta Lloyd Group is also taking initiatives to counter the growing competitive pressure from non-sector players. These include developing white label products (Virtes) and seeking new partnerships in distribution. The Group is also preparing for the expected increase in competition from banks. In the Belgian and Dutch markets the Group is already well-equipped to meet this challenge.

Distinctive through customer and commercial focus

A strong customer and commercial focus is designed to give the Group distinctive power. Throughout the organisation more emphasis is being placed on commercialism (for instance by giving commercial skills training to all employees) and profitable volume growth. Business priorities have been defined as increasing employee participation in master agreements (life course saving schemes and health insurance), strengthening the position in health insurance, maintaining competitiveness in general insurance and promoting third-party distribution of mutual funds. A further priority is to improve satisfaction levels among life and pension customers.

A small commercial unit named Corporate Relationships has been active since early 2006. This unit will focus on corporations and institutions employing more than 500 staff in the Netherlands, Belgium and Germany. After gaining an introduction, the unit makes an assessment – with support from the various divisions – to determine what products and services can best be included in an offer to the prospective client. In 2006 various group contracts and master agreements were already concluded for health insurance, general insurance, group car fleets and pensions.

In many units across the Group major efforts were also undertaken to improve customer propositions. One good example is OHRA's Refresh programme. In this strategy for growth the customer rather than the product takes centre stage. To put customer needs into focus, many employees, including non-customer-facing staff, visited customers in person. The input from these interviews led to the definition of five core target groups, for which ten propositions were developed. This shift from product thinking to target group thinking is being promoted by Delta Lloyd Group as a key *best practice* for the rest of the organisation.

To assist customers who have suffered material damage as quickly as possible, OHRA, Delta Lloyd and ABN AMRO Insurance jointly set up a direct repair service called Direct SchadeHerstel in 2006. When a customer calls to report a claim, Direct SchadeHerstel immediately contacts a repair firm to solve the problem. The service is a great success: customers can still choose between a payment in cash or a straightforward repair, but 80% to 90% go for the repair in kind. Direct SchadeHerstel has so far been limited to smaller claims up to € 5,000, but the package is being expanded.

Another example of the customer focus is a new health product that ABN AMRO Insurance has developed specifically for small and medium-sized entrepreneurs: ABN AMRO ZorgBeter Collectief. The product offers a collectivity discount starting from as few as two insured employees. One unique feature is the guarantee clause: if the healthcare guarantee is not fulfilled, the insurer is committed to offering a solution within 48 hours. An adviser can visit the company and if a master agreement is concluded, ABN AMRO Insurance will work together with the employer to raise employee interest in the products.

The need for security is also being catered to. OHRA Bank, for instance, offers investors an investment product with built-in guarantee: the OHRA Safe Multi Solutions Garantiefonds. This guarantee fund is unique in not only yielding returns when equity markets rise, but also when they remain stable or even fall. In addition, repayment of the initial investment is guaranteed at maturity.

Convenience is offered to customers in various ways. One example is Delta Lloyd Bank which has teamed up with the mortgage firm De Hypotheker to provide joint banking services alongside mortgages. This expansion represents a step towards full-service banking, where customers can see to all their financial needs under one roof.

2.1.4.4 Enhancing distribution power

The strong client focus is not only reflected in the development and launch of new products and concepts, but also in the improved availability of products. Distribution capabilities play a key role in the current playing field in which customers are less inclined to stick to one specific distribution channel. Instead, they may engage an insurance intermediary for advisory-intensive services, while preferring a direct writer for less complex products. With the expansion of distribution channels that Delta Lloyd Group realised in the past years, the Group is well-equipped to hold its own in this new reality. Delta Lloyd Insurance makes use of insurance intermediaries and direct writer OHRA, while ABN AMRO Insurance, in its capacity as a bank channel, often fulfils both roles. The Group is also responding to the more hybrid nature of distribution. The various distribution channels are increasingly using techniques that were formerly exclusively used in a competing channel.

The multiple distribution options offered by Delta Lloyd Group were a major selling point in the conclusion of master contracts – the agreements which, under the current system overhaul, are increasingly replacing group contracts. In this connection Delta Lloyd Group is focusing on entrepreneurs and financial decision-makers as these are the people who decide in the first instance which provider is awarded the pension – and health insurance – contracts for their staff. With three different distribution channels and brands, the Group has the knowledge and expertise to give these customers full support in all relevant areas, including communication with staff.
The life course saving scheme also provides strong testimony to the breadth and depth of the Group's power: the creativity and capabilities of the bank combined with the distribution clout of the brands has led to the closure of numerous master contracts, where Delta Lloyd Group supports employers by filling in the content.

The intermediary is faced with a large number of new insurance laws and regulations that have been introduced over the past years. These laws and regulations must be introduced and explained to the market: the life course saving scheme, the changing pension laws, the new health system, the Work and Income (Ability to Work) Act *(Wet werk en inkomen naar arbeidsvermogen / WIA)*, the Return to Work (Partially Disabled) Regulations *(Regeling Werkhervatting Gedeeltelijk Arbeidsgeschikten / WGA)*, the Financial Services Act *(Wet financiële dienstverlening / Wfd)* and, with effect from 1 January 2007, the Financial Supervision Act *(Wet op het financieel toezicht / Wft)* which the Financial Services Act was incorporated into. Owing to the complexity of these regulations, the need for sound professional advice from insurance intermediaries is set to grow in the coming years. Their task is to explain all the new schemes to customers and help them to analyse their personal circumstances and assess their individual needs and wishes. Delta Lloyd Group is providing insurance intermediaries with optimal support in fulfilling their role. To this end, it has already undertaken various initiatives, including the organisation of information meetings, which were very positively received by the intermediaries. Delta Lloyd Insurance is making increasing use of the intermediary's advisory knowledge and is thus able to strengthen its position in the SME sector. The relationships with regional SME departments are also being intensified in this connection.

Given the changing market environment and the increasing volume of online insurance sales, Direct writer OHRA sees great opportunities in the sale of standardised insurance products. The consumer can buy these simple OHRA products either individually or via his or her employer. This trend is reinforcing OHRA's already powerful position in the insurance market. In an effort to continue developing the internet channel, an Internet Marketing Team was set up in 2006 to promote online marketing and e-business.

Distribution via ABN AMRO Bank offers enormous growth opportunities, given the large number of potential commercial and personal customers. The challenge for Delta Lloyd Group is to offer these customer groups the right products tailored to distribution via the banking channel, such as ABN AMRO ZorgBeter Collectief.

A separate role in the distribution process is played by Lancyr, a franchise organisation set up by Delta Lloyd to support independent insurance intermediaries. Lancyr has developed into a chain with 65 outlets and aims to expand towards some 200 affiliated insurance intermediaries. Administrative activities are conducted jointly, which allows the independent insurance intermediaries to concentrate on their advisory and sales work. Lancyr will be repositioned as an independent brand in 2007. The formula is being modernised, with a strong focus on the personal market.

2.1.4.5 Call for transparency and unit-linked insurance

Financial service providers are facing mounting social pressure to enhance transparency. In the closing months of 2006 this came to a head in the debate around unit-linked insurance products. Major emphasis was placed on the complexity of these products and the resulting problems that many customers have in obtaining a clear picture of the product, the insurance component and the related costs and premium rates.

Transparency constitutes an important element of good entrepreneurship for Delta Lloyd Group. In fact, the Group has been focussing for years on realising the transparency that the market is now demanding. Information on costs has been provided on request for some time now. The Group will fully adopt the recommendations of the De Ruiter Committee, which are aimed at enhancing transparency in the field of unit-linked insurance products. Delta Lloyd Group is open about costs, including advisory fees (commission), in the information it provides to customers.

2.1.5 Corporate governance

As a statutory two-tier company the Group closely monitors all developments that may affect its existing corporate governance structure. Recently, amendments were made to the act on the two-tier regime, particularly the provisions governing the appointment of members of the Supervisory Board. In this connection the law leaves scope for alternative arrangements between shareholders and the board.

The issue of corporate governance is at the core of a difference of opinion between Delta Lloyd Group and its majority shareholder Aviva (92%). Delta Lloyd Group takes the view that Aviva is contractually bound to an appointment structure for Supervisory Board members via co-optation where the interests of all stakeholders are assured. Aviva argues that this contractual obligation no longer exists. To resolve this difference of opinion, the unusual step has been taken of putting this matter to the Amsterdam Court. Delta Lloyd Group and Aviva have agreed to continue cooperating and maintaining contacts as before. These legal proceedings therefore have no further impact on the relationship between the two parties.

In Control Statements and Third Party Statements

In 2006, Delta Lloyd Group initiated processes aimed at providing an SAS 70 statement confirming the proper execution and effectiveness of internal control to customers, such as pension funds, who need this to substantiate their own in control statement. The Group also receives SAS 70 type 2 statements drawn up by the external auditor from external suppliers to whom important business activities have been outsourced. The Executive Board also requires that all divisional boards provide in control statements which serve as input for the Group statement.

Tabaksblat Code

As an unlisted company, Delta Lloyd Group voluntarily applied the latest corporate governance standards laid down in the Tabaksblat Code. The Group applies the Code adhering to the principle that, as a transparent company, it should pass every test of outside scrutiny.

Competition

The Dutch Association of Insurers, in consultation with the Nederlandse Mededingingsautoriteit *(Netherlands Competition Authority / NMa)*, has drawn up the Competition Compliance Regulations *(Complianceregeling Mededinging)* to help its members avoid infringements of national and European competition law. Delta Lloyd Group has incorporated the compliance regulations into its own 'Delta Lloyd Competition Compliance Rules' which have been tailored to Delta Lloyd Group's specific circumstances.

Exercising voting rights

As part of its compliance with the Tabaksblat code Delta Lloyd Group attends, whenever possible, the general shareholders' meetings of companies in which it holds a 5% interest. At these meetings the Group makes use of its voting right to influence the policy of the company in question. Owing to the fact that some meetings coincided, not all general meetings could be attended in 2006. Delta Lloyd exercised its voting rights at 47 general shareholders' meetings and 13 extraordinary shareholders' meetings of the 39 companies in which it holds a 5% interest. Of these meetings, 25 were attended by (a representative of) Delta Lloyd Group. In 35 instances, Delta Lloyd Group authorised a third party to vote on its behalf. In these cases the third party was given voting instructions in advance. Reports on the voting behaviour during these meetings can be found on http://www.deltalloydgroep.com.

Compliance

Regular compliance audits by Group Audit & Integrity (GAI) ensure that the business units devote sufficient attention to compliance. In 2006 extensive audits were carried out at the Dutch operations of the Group to verify compliance with the new Financial Services Act *(Wet Financiële Dienstverlening / Wfd)*. The independent position and powers of the compliance function were strengthened in 2006. The divisions within the Group have each appointed their own compliance officer.

Whistleblower policy

Delta Lloyd Group's whistleblower policy lays down procedures for reporting and dealing with (suspected) malpractice of a general, operational and/or financial nature, while also providing safeguards to ensure that the anonymity and confidentiality of persons reporting concerns about possible malpractice is protected insofar as possible. The whistleblower policy is applicable to all divisions and units of Delta Lloyd Group. No whistleblower reports were submitted by employees in 2006.

If, for whatever reason, an employee feels that he or she cannot report an instance of malpractice, as intended in the whistleblower policy, to the line management or fraud coordinator, or if he or she does not receive a response, he or she can report his or her suspicion of malpractices or irregularities within the organisation to the Integrity Office. The number of reports of actual or suspected violations of the integrity standards to the Integrity Office was limited in 2006, but reports that are made usually concern matters requiring further investigation and measures.
An electronic integrity radar was developed in 2006 and will be introduced in 2007. With the aid of this tool employees' knowledge and awareness of regulations can be measured. The results can be used to take targeted action wherever necessary.

2.1.6 Reporting

The annual report for 2006 is Delta Lloyd Group's second report based on the International Financial Reporting Standards (IFRS). These standards are designed to achieve uniformity and optimal transparency of reporting. Delta Lloyd Group entirely endorses these aims and has therefore decided to adopt the IFRS even though, as an unlisted company, it is not required to do so.

A specific IFRS standard has been developed for the insurance industry. Alongside all other standards that need to be implemented, this insurance standard indicates that insurance contracts may be reported according to local accounting principles. In addition, Delta Lloyd Group largely measures its investments at fair value, which is driven by interest rate movements, particularly in relation to the fixed income component. These fluctuations in the value of the investments, which are largely held to cover the nominal life insurance liabilities, have an impact on the income statement.

Under the current standard, the nominal liabilities could continue to be reported on the basis of the old reporting rules. These provisions would then be valued at a nominal interest rate, and their value would consequently not be influenced by movements in market interest rates. The application of different accounting methods for the life insurance liabilities (at a nominal interest rate) and the fixed income investments (at fair value) would, in Delta Lloyd Group's opinion, mean the accounts would reflect an inaccurate picture of the actual performance.

Delta Lloyd Group therefore measures a substantial part of its nominal life insurance liabilities at market interest rates. In addition, Delta Lloyd Group classifies a substantial part of its fixed-income investments in such a way that they are measured at fair value, with both realised and unrealised changes in value being taken directly to income. This makes the results less sensitive to interest rate fluctuations and brings them more into line with economic reality.

An additional advantage to this decision is that Delta Lloyd Group is thus already anticipating the IFRS 4 phase II method, which is to be introduced later. Fair value will then in all likelihood not only be based on the interest component but also on other components (mortality, costs, etc.).

2.1.7 Risk management

In 2006, Delta Lloyd Group continued to develop its risk management function. Over the course of the year, risk management became more deeply and structurally embedded in the mind-set and organisation of Delta Lloyd Group. The risk management function was developed in anticipation of the increased need for quantification, in order to comply with future regulations, such as Basel II and Solvency II, and to take maximum advantage of opportunities for risk compensation and sharing of best practices at Group level. To this end, the Group Risk Committee (GRC) was formed in 2006. This Committee, which consists of the full Executive Board, Divisional Presidents and several Group Directors, prepares the decision-making by the Executive Board in the field of risk appetite and policy issues for financial, insurance, strategic and operational risks. Three more specialised group-wide risk committees provide the Group Risk Committee with the necessary analyses, reports and policy proposals for financial, insurance and operational risks. Group Actuarial & Financial Risk Management (GARM) gives direction to the Financial and Insurance Risk Committee. Group Audit & Integrity (GAI) directs the operational risk committee through the Group Risk Manager. The goal of these group-wide committees is to achieve better risk differentiation, more in-depth risk analyses and more accurate risk quantification, as well as to improve methods, develop tools and exchange best practices.

Risk management has been embedded more deeply and structurally in the mind-set and organisation of Delta Lloyd Group. This increasingly guarantees a pro-active approach to risk management. In 2006, further progress was made with the application of actuarial risk-quantification models, the introduction of a software package (risk navigator) for risk self-assessments and the introduction of Critical Risk Performance Indicators. The introduction of a stochastic Risk Based Capital model means that interest rate and equity price movements can now be simulated to accurately estimate the capital requirement and the preferred balance sheet ratios.

Risk profile of Delta Lloyd Group at year-end 2006, statement of Executive Board

The Executive Board is of the opinion that the assessment of the risks inherent in the operations of Delta Lloyd Group and the controls implemented to reduce these inherent risks should be deployed in a structured and sound manner. The assessment revealed one risk with a potentially major impact for which additional internal controls are necessary. This concerns the ICT contingency solution, which will not be fully in place until the new computer centre becomes operational (probably in the course of 2007). Because of their inherent volatility, some residual risks demand constant management attention. Other residual risks require improvement of the risk profile through the further execution of measures now in progress. The most important risks for Delta Lloyd Group and major risk management developments are explained below.

Notes to important risks in 2006

Delta Lloyd Group distinguishes the following risk types:

1. Financial risk
2. Credit risk
3. Acceptance risk
4. Integrity and compliance risk
5. Product development
6. ICT continuity and performance
7. Outsourcing
8. Product profitability
9. Strategic risks

Major changes in 2006 and beyond

The trend in international standards for financial services (Basel II and Solvency II) is unmistakably moving towards the near-term adoption of solvency requirements based partly on the quality of the company's risk management and its exposure to certain risks. This Risk-Based Capital (RBC) method requires a more substantive quantification of risks.

Delta Lloyd Group anticipated the consequences of the changing regulations in the field of risk management arising from international guidelines (Basel II and Solvency II) by enhancing the framework adopted in 2004: Internal Capital Assessment (ICA). ICA is a method for the further quantification of financial risks using stochastic actuarial models. It is a ‘Solvency-at-Risk' approach where the available capital is compared with the capital required to remain solvent at a 99.5% confidence level over a time horizon of one year. The models will probably be tested by the Dutch regulator in the near future.

Delta Lloyd Asset Management has implemented the consequences of Basel II in its own organisation and has been Basel II proof since 1 January 2007. The operational risks have been identified and controls have been described and updated. The implementation of these controls and their subsequent monitoring will take place with effect from 2007.

Asset & Liability Management (ALM) is aimed at establishing the risks and returns of both the investment portfolio and the liabilities portfolio. In this connection, the RBC project was started up in 2006 with a view to developing a group ALM model. Alongside the existing ALM studies, this model is able to make capital calculations with a long-term perspective. This information is highly useful in discussions with regulators, rating agencies and shareholders. In addition, RBC is used to measure performance and to assess the effects of management actions.

In 2006, special attention was devoted to the terrorism risk and the risk of a flu pandemic. Regarding the latter, the Group joined Aviva in taking part in an extensive bird flu drill run by the UK finance industry regulator FSA. The financial and logistical consequences for Delta Lloyd Group were quantified and analysed as accurately as possible. A threat analysis was also made in respect of the terrorism risk.

2.1.7.1 Financial risk

The two greatest sources of financial risk for Delta Lloyd Group are:

- Equities and property
- Interest rates

The Financial Risk Committee (FRC) advises the Group Risk Committee (GRC) on financial risks. The FRC assesses whether and what measures must be taken to mitigate these risks from four perspectives:

1. Tactical perspective. Delta Lloyd Group's view of current financial markets and the measures taken on the basis of this view.
2. IFRS perspective. The priority form this perspective is to reduce the volatility of the income statement.
3. EEV perspective. How the value of the insurance business can be optimised from this perspective.
4. Solvency perspective: this perspective looks at proposed measures from a capital position. Although the Internal Capital Assessment (ICA) calculations are leading, the long-term effect of measures is also taken on board, using Asset Liability Management (ALM) models.

If the Financial Risk Committee (FRC) puts forward an issue requiring measures, these measures are assessed from the four perspectives. The Group Risk Committee (GRC) ultimately determines which perspective carries the greatest significance. The FRC and the GRC determine the acceptability of the financial risk position on a very regular basis. If necessary, the FRC advises the GRC on possible measures. The GRC ultimately decides on the measures to be taken.

The financial risks in respect of equities and property and interest rates are the most dominant risks to which Delta Lloyd Group is exposed. Accurate insight into the Group's financial position is obtained by determining the value of shareholder's equity after crash scenarios involving interest rates and equity and property prices. In these scenarios the value of the investments and the obligations is determined in order to establish the impact on shareholders' equity, allowing for tax effects. This analysis is performed for each business unit individually, after which the overall impact on Delta Lloyd Group is determined. The sensitivities as at 31 December 2006 are shown in the relevant risk paragraphs.

1.1. Equities and property

An unforeseen sharp fall in equity or property prices constitutes a significant threat to the solvency position of Delta Lloyd Group. A decline in the value of the equity investments would mainly affect the life operations, and this effect would be further aggravated by the impact on the value of the unit-linked business with guaranteed returns at maturity. This is because an additional provision is required to cover the difference between the guaranteed value and the lower investment value.

The underlying equity and property investments are monitored constantly as part of the Asset Management function. Asset Liability Management (ALM) studies are performed to further analyse the risks using different equity and property return assumptions. The investment mix is geared to the required risk profile. The renewed derivatives policy ensures the proper composition of derivatives in the asset-mix. On the basis of the results of the ALM study, Asset Management draws up a recommendation for all investment mandates of business units and customers. In addition, the Financial Risk Committee makes continuous assessments of, for instance, the equities risk at group level. If necessary, the committee advises the Executive Board on action to be taken. In 2006, an equity put spread was purchased, thus considerably reducing the downward price risk.

The sensitivity of Delta Lloyd Group's shareholders' equity to changes in the value of equities is determined in conjunction with the calculation of the solvency. This is done by calculating the change in solvency caused by a fall of a magnitude that is expected to occur once every 200 years. At overall level the solvency was 297% as at 31 December 2006. An equities crash involving a price fall of 40% would reduce the solvency ratio of Delta Lloyd Group to 185%.

The sensitivity of the shareholders' equity to changes in the value of Delta Lloyd Group's property portfolio is determined on the basis of a once every 200 years crash. A 24% decline in the value of the property portfolio would reduce Delta Lloyd Group's solvency ratio to 272%.

1.2. Interest rates

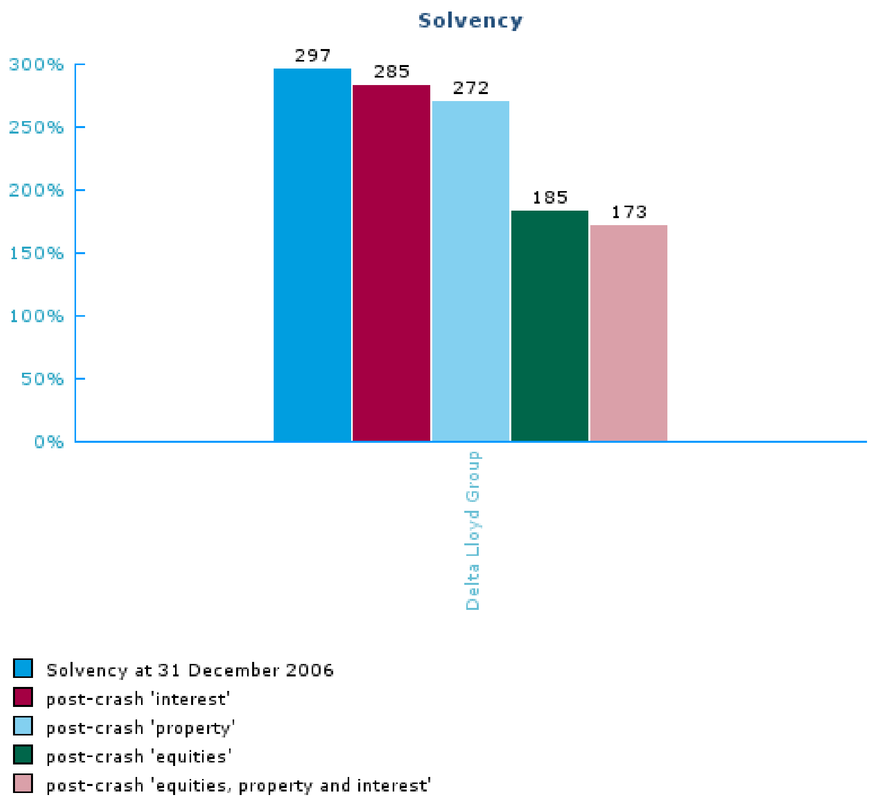
Interest rate movements have a significant impact on the solvency position due to the duration mismatch between the assets and liabilities of, primarily, life insurance companies. Because insurance liabilities are measured at market rates, both assets and liabilities move in the same direction in response to interest rate movements. Liabilities generally have longer maturities than assets. This makes the Group sensitive to the impact of interest rate fluctuations. This mismatch is actively managed. Profit sharing and guarantees also influence the interest rate sensitivity of the liabilities. Profit sharing has an impact opposite to that of guarantees. To obtain an accurate picture of the interest rate risks, all effects on solvency are determined simultaneously in the Internal Capital Assessment (ICA) and Asset Liability Management (ALM) models. The investment policy will be set partly on the basis of these integral analyses. One relevant factor in this connection is the need to hedge duration mismatches between investments and obligations. The quality of interest rate risk analysis and monitoring was further improved in 2006. As a result, the Group can respond even better and faster than before to new developments.

ALM analyses have shown that the guarantees issued have a high value in low-interest rate scenarios. In extreme scenarios the guaranteed return cannot be realised. To ensure that these obligations can continue to be fulfilled in such extreme scenarios, an interest-rate hedge programme has been set up for Delta Lloyd Life.

As with equities, the interest rate sensitivity of Delta Lloyd Group's shareholders' equity is determined with the aid of crash scenarios. This is done by calculating the change in solvency if interest rates fall by 100 basis points. An interest rate crash involving a fall of 100 basis points would reduce the solvency of Delta Lloyd Group to 285%.

1.3. Combination of equities and property and interest rates

In determining the sensitivity of Delta Lloyd Group's shareholders' equity to interest rates and equity and property returns, it is assumed that these three market risks do not always occur simultaneously. This diversification effect is taken on board in Delta Lloyd Group's risk report through correlation assumptions. In this way, the amount of capital required to absorb the actual impact of these risks is calculated. The solvency for Delta Lloyd Group after the combined crash test is 173%, which is well above 100%.



2.1.7.2 Credit risk

The biggest credit risk to which Delta Lloyd Group is exposed relates to corporate bonds and sold mortgages. Delta Lloyd Group maintains a diversified fixed-income investment portfolio that is matched with the insurance liabilities. Creditworthiness is monitored and the investment mandates specify in further detail the permitted debtor ratings for corporate bonds. The monitoring of the credit risk will be developed further in 2007. The fixed-income investments are mainly denominated in euros and are therefore not exposed to currency risk.

2.1.7.3 Acceptance risk

Insurance risks stem from the possibility that premiums will not be sufficient to meet future payment obligations. The premium agreed in the past for life insurance is based, among other things, on life expectancy at the time the insurance was accepted.
People can now expect to live much longer than when the premium was calculated. While that is extremely good news for the customer, it is a financial disadvantage for the insurer who must make substantially higher provisions for insurance liabilities without receiving any premium in return. This risk is also called longevity risk. The provisions for insurance liabilities are set prudently. An additional provision is maintained to cover the longevity risk in relation to life insurance business.

2.1.7.4 Integrity and compliance risk

The proliferation of laws, guidelines and codes of conduct continued in 2006 and compliance was more intensively supervised in certain areas. Delta Lloyd Group is committed to corporate social responsibility as the best way of guaranteeing customers and the company a secure future, both in the near and longer term. Rules and regulations are naturally adhered to. Notwithstanding this fundamentally positive attitude, due to the numerous changes in the compliance field, it is not always easy to comply with all rules and regulations in good time. In 2006, a great deal of time and effort was devoted to the introduction of the Financial Services Act *(Wet financiële dienstverlening / Wfd)* to ensure that all business units were ready for the introduction of the Financial Supervision Act *(Wet op het financieel toezicht / Wft)* on 1 January 2007. Transparency and duty of care are other key focus areas. More specifically, this means ensuring that personal and commercial customers know what products they are buying at what costs and whether these products meet their needs and are in line with their risk profiles.
To cope with the increased volume of regulations, more compliance officers have been appointed, and compliance auditing has been intensified.

2.1.7.5 Product development

Product renewal and development are imperative in order to respond to the opportunities and challenges of smaller government and tax reforms. Though anticipating market changes is inherent to good entrepreneurship, the scale and impact of the current changes have given rise to a heightened risk that demands extra attention. The financial component of product development follows a two-phase route:

- determining the price based on insurance risks and the market;
- fine-tuning the investment of the premium so as to obtain the optimal return on the required economic capital.

The principal developments are discussed elsewhere in this annual report.

2.1.7.6 ICT continuity and performance

The most important operational risk in 2006 concerned ICT. This needed to be put in order, both in terms of performance (contribution to company objectives) and security of continuous availability. The situation has improved compared to 2005 thanks to progress made with important transition projects, but the required level has yet to be attained. The cooperation with IBM is being more centralised to reduce the risks.

The initiated improvement programmes and other controls are gradually leading to a tighter grip on the necessary business-driven and regulatory-driven changes. The operational ICT service level is better and more stable, but certain problems still exist, particularly in the field of strategic changes.

The positive results of these efforts are also reflected in the SAS 70 type 2 report which was received from IBM and which was accompanied by an unqualified opinion from its external auditor.

The formation of a central ICT organisation led by a CIO is designed to reinforce governance and increase standardisation and synergy.

In 2006, Business Continuity Management (BCM) was addressed on a project basis. The impact analyses led to the identification of continuity requirements and measures, some of which have already been realised. As a result, the recoverability and continuity for work stations, communication technology, information platforms, systems and data have improved, but are not yet optimal. The Business Continuity Plans (BCP) are all ready for targeted action in the event of calamities such as a power failure or flooding.

Provisional ICT disaster recovery solutions have been put in place for certain vital operational functions. It has been decided to set up a brand new ICT disaster recovery centre. This extensive operation is expected to be completed by the end of 2007.

The residual risk remains critical and further control measures will be taken in 2007.

2.1.7.7 Outsourcing

As part of Delta Lloyd Group's sharing and outsourcing policy, it is increasingly important that managers and directors who carry ultimate responsibility maintain a good grip on internally or externally outsourced services. Contracts, service level agreements, control information and control tools provide crucial support to those carrying that responsibility. In 2006 the existing supplier management was reviewed and measures were taken to achieve better control. In addition to the outsourcing of facility management and IT infrastructure services, numerous other developments are taking place in this field. The development of product groups, whose role is to work together with the divisions as business partners – in parallel with the outsourcing process – demands a different form of governance. Controls are in place in the form of structures and permanent steering groups at senior management level, for example. At central level, Group Legal, Group Audit & Integrity, Group Procurement, Group HRM, Facility Management Services and Group Infrastructure Management are responsible for contract fulfilment and control. Initiatives to be taken at group level in 2007 under the Sharing programme include the further reinforcement of ICT governance and the creation or expansion of central assessment centres.

2.1.7.8 Product profitability

A competitive cost base is essential in order to achieve profitability. Delta Lloyd Group is working on this by obtaining progressively better insight into the structures (activity-based costing) and by carrying out additional cost reduction programmes, sometimes involving complete process redesigns. At the operational units, product teams are reviewing the product range and market positions. Their action plans are focused on improving product margins. In this connection, emphatic attention is devoted to the compliance aspects as well as to CSR compatibility testing. In 2006 pricing committees were set up alongside the product teams to monitor the profitability objectives of new business. New products and product adjustments are also discussed in this context. To counter the risk of insufficient profitability at Health, partly due to the introduction of the new Health Insurance Act *(Zorgverzekeringswet)* on 1 January 2006, strategic partnerships are being sought.

2.1.7.9 Strategic risks

Based on the outcomes of the strategic analyses, important strategic risks remain high on the agenda. One top priority in 2006 was the future of the health operations. Both the operational performance and the market position needed to be reinforced. The implementation of a large number of improvement programmes, together with the proposed merger with Agis and Menzis, appeared to offer a full solution. Although the proposed merger was called off, Delta Lloyd Group's market position has strengthened. Customer satisfaction levels have increased, and the pricing structure is highly competitive. The emphasis for 2007 is on setting up a combined health business as quickly as possible and exploring further opportunities for fuelling volume growth. In other areas too Delta Lloyd Group is actively seeking partnerships or acquisitions to strengthen its market position and achieve the required volume.

Reputational risk is also an issue of strategic importance. Reputation is a strategic pillar as customer trust forms the essence of the Group's product and service offering.

2.1.8 Relationship with stakeholders

Delta Lloyd Group again invested substantially in its stakeholder relations during the year under review. The CSR report 2006, which appears simultaneously with the annual report, provides an extensive account of these efforts. The principal issues are discussed below.

2.1.8.1 Customers

What matters first and foremost to Delta Lloyd Group is that customers see the Group as accessible, feel we listen to them and take care of their interests. Transparent communication about products and their merits is a primary requirement in the relationship between customers and the Group.

Legislation, regulations and codes

Transparency towards customers is increasingly being ensured by laws, regulations and codes of conduct. Measures to protect the customer include the Financial Information Leaflet *(Financiële Bijsluiter)*, the Insurers' Code of Conduct *(Gedragscode Verzekeraars)* and the Return and Risk Code of Conduct *(Code Rendement en Risico)*. Delta Lloyd Group also welcomed the introduction of the Financial Services Act *(Wet financiële dienstverlening / Wfd)* in early 2006. The Wfd prescribes minimum knowledge and training requirements for insurance intermediaries, includes safeguards to ensure the independent offering of advisory services and provides for the duty of care. In addition, the Wfd contains provisions for the filtering of intermediaries on the basis of quality and professionalism. Delta Lloyd Group realised the timely implementation of the Financial Services Act for all Dutch units. This major operation was closely monitored by the Netherlands Authority for the Financial Markets *(Autoriteit Financiële Markten / AFM)*. With effect from 1 January 2007, the Financial Services Act was incorporated into the Financial Supervision Act *(Wet op het financieel toezicht / Wft)*.

Transparency around unit-linked insurance

In the second half of 2006, a widespread public debate erupted over the lack of transparency concerning unit-linked insurance products, particularly in relation to their cost, commission and premium structure. The immediate cause of this debate was the publication of the conclusions of an exploratory survey of the unit-linked insurance market. This survey, which was conducted by the Netherlands Authority for the Financial Markets among four insurers merely served to prepare the AFM for its new regulatory role and did not have a formal status.

Earlier, in the spring of 2006, the Dutch Association of Insurers had already taken the initiative to set up a committee, with the brief to advise the industry on the appropriate and necessary transparency customers should be given about unit-linked insurance products. The Unit-linked Insurance Transparency Committee *(Commissie Transparantie Beleggingsverzekeringen)* presented its conclusions in December 2006, and these were subsequently endorsed by the Dutch Association of Insurers.

Delta Lloyd Group subscribes to the vital importance of providing clear information and introducing tangible and uniform requirements regarding the format of customer quotes. The Group, like the Association, intends to take additional steps to enhance transparency surrounding unit-linked insurance products. The Committee's recommendations will not only be applied to new policies but also, insofar as possible, to the provision of information concerning the 6.5 million existing policies in the Netherlands. This entails a huge operation, which will take a considerable amount of time and effort to execute. The Group has no indication to believe that it failed at any time to comply with legislation and regulations governing the provision of information. In consultation with the Ministry of Finance, the regulators (the Netherlands Authority for the Financial Markets and the Dutch central bank) and consumer organisations, the insurers have agreed to examine whether further measures are necessary with respect to existing policyholders. The Association is seeking to complete this consultative process in the first quarter of 2007.

Delta Lloyd Group is of the opinion that unit-linked insurance products are an excellent solution for wealth accumulation. The Group therefore regrets to note that the current debate often appears to revolve around matters other than openness and clarity, thus obscuring the really important issue of transparency. Too often, the essence of the product, i.e. offering an opportunity to accumulate capital while simultaneously covering the risk of death and/or occupational disability, is overlooked in the current debate. This risk reduction enables many customers to grow wealth, e.g. through the purchase of their own home, which would not have been possible without this type of insurance. Premiums for term life policies are casually dismissed as a strong cost-increasing component, without taking the essential underlying product – benefit payment on death – into account.

In addition, cost comparison bases often show differences. The costs for unit-linked insurance products for instance are set off against the initial investment while with normal investment forms costs compared with the accumulated capital. The first variant therefore appears to be more expensive, particularly in situations where the accumulated capital is still limited. However, especially when returns are higher, this is not the case. In addition, in conformity with the recommendation of the De Ruiter Committee, all investment charges included in unit-linked insurance policies are now shown. This in contrast with some other forms of investment.

In Belgium, too, calls for greater transparency are rising. Assuralia, the Belgian Association of Insurers, teamed up with the professional federations of insurance brokers to formulate a code of conduct for guaranteeing optimal customer transparency in the field of individual life insurance and unit-linked insurance products. This code, which came into force on 1 January 2007, is endorsed by Delta Lloyd Life.

Understanding customer needs

Knowing what customers want is essential in enabling Delta Lloyd Group to tailor its products and services to the needs of current and future customers. One good method for gaining insight into people's perceptions and changing needs is to hold periodic group discussions with consumers. Such ‛generation panels' had already been organised for the 14-17 age group. In 2006 the 45-55 age group was put under the microscope. The commercial training started in 2006 is also aimed at furthering this insight. Thanks to the training, employees are better equipped to put the customer's needs in focus.

Customer satisfaction

Customer satisfaction surveys are conducted on a regular basis: nearly all business units carry out annual measurements.
At ABN AMRO Insurance the internal customer ratings remained constant: Life scored an average of 6.8 (6.9 in 2005). General Insurance ABN AMRO Insurance scored 6.7 (6.9 in 2005).

Delta Lloyd Insurance showed a predominantly positive picture. Life improved from 6.7 in 2005 to 7.0 in 2006 and General went up from 6.9 to 7.0. The score for Health fell from 6.9 to 6.0 due to service level problems during the transition to the new health system. Various improvement programmes aimed at increasing customer satisfaction were initiated.

The customer satisfaction survey at OHRA produced a rating of 7.4 in 2006. This is the overall figure for OHRA. The measurement in 2005 was 7.3. Of the customers polled, 73% say they would recommend OHRA to family and friends, and 80% would certainly consider OHRA when buying a new insurance or other financial product.

In 2006, Delta Lloyd Asset Management and Delta Lloyd Bank did not perform customer satisfaction surveys. Delta Lloyd Bank will start with a periodic customer satisfaction survey in 2007.

In Belgium, Delta Lloyd Life participated in the ICMA / Intermediary satisfaction survey conducted among 980 intermediaries. With a total performance (CPI) of 72% Delta Lloyd Life scored two percentage points higher than in 2005 but is still lagging its main competitors. It is encouraging to note, however, that the score of 74% on the 'products & services' was above the market average of 71%.

Complaints handling

Good complaints handling is of vital importance to ensure satisfied customers. In 2006 89% of the businesses had an effective complaints handling system, up from 77% in 2005. Other business units are working hard to set up a complaints system or make improvements to the existing system.

2.1.8.2 Employees

To attain its ambitions, highly qualified and motivated staff are essential to Delta Lloyd Group. The Group therefore seeks to offer an inspiring working environment where employees enjoy every opportunity to grow and advance their careers. The aim is to create an entrepreneurial work climate that stimulates employees to respond quickly and competently to developments in the market, present new ideas, take responsibility and be actively and visibly involved. The management plays a crucial role in this respect, by setting the right example and pursuing a culture of inspirational leadership.

Good progress was made in various areas:

1. Commercial training

In 2006, the primary focus at Delta Lloyd Group was on enhancing commercial agility. To this end all employees, including the Executive Board, took part in commercial training in the past year. The aim: to instil a commercial mindset and customer empathy into every employee. The training sessions centred on four themes: External Focus, Sales Focus, Customer Focus and Spirit of Enterprise.

In January 2007, Delta Lloyd Life in Belgium will start up a similar training programme dubbed 'One World'. The aim is to achieve a uniform approach to the 'Customer Focus' core value throughout the entire organisation (from Sales to Management).

2. Employability

Employability was a key term in Delta Lloyd Group's HRM policy of in 2006. The Group's growth ambitions entail stimulating employees to consistently meet new and more exacting demands. Employee development and talent utilisation are therefore crucially important, as are professional versatility and career progression. A recent survey showed that employees are very willing to develop and progress. The availability of targeted development and career opportunities is also conducive to building staff loyalty.

Delta Lloyd Group has for many years devoted attention to equipping managerial and supervisory staff for their role as team leader or manager. For the past few years, the Group has also run a professional development training programme for specialists.

In a further initiative, workshops were introduced last year for all of the group's employees. These ‘Care for your Future’ workshops are aimed at encouraging people to take personal responsibility for their career and development opportunities. The workshops centre on the employee's personal development and address such questions as ‘how do you see your current job’ and ‘what do you expect in the future from Delta Lloyd Group’. An inventory is also made of the employee's experience and the available development opportunities. That way, employees can work out their own personal development plan in concrete detail.

For 2007, new policy is being developed to raise and maintain awareness of employability issues among management and employees on a structural basis.

3. Diversity

The representation of women in management positions in Delta Lloyd Group's Dutch operations fell slightly from 25% in 2005 to 22% in 2006.

In 2006 the diversity philosophy was elaborated further. Over the coming years, three areas will be emphasised: market, jobs market and society.

In 2006, the focus was on the available talent within the organisation and on ways of raising the awareness of managers. An awareness workshop was organised for team leaders of ABN AMRO Insurance where a clear link was made with employability. Diversity was incorporated into the existing appraisal and performance workshops for team leaders. In addition, diversity was included in the three management development programmes. In the autumn of 2006 the recording of diversity data was launched. These data will enable the Group to monitor and evaluate the results of its diversity policy. The first diversity report is due to appear in 2007.

In addition, the added value of diversity within teams is being studied with the assistance of the University of Utrecht. The results will be presented in the first quarter of 2007. Furthermore, arrangements for a zero measurement for the older employees policy were made with Stichting Senior Werkt. This measurement will put the position of older employees into focus and provide valuable input for identifying desirable measures.

To embed diversity in the recruitment and selection process, plans are being worked out to make diversity an integral element of the working practices of development officers and recruiters.

4. Employee satisfaction survey

In 2006 Delta Lloyd Group conducted an employee satisfaction survey for the second time. The survey revealed that across the board employees were more satisfied with their job compared to the previous year. In general they feel most closely involved with their own division, but a growing number also affirm their pride in being part of Delta Lloyd Group. Progress was also achieved in relation to guidance by management, though further improvement in this area remains a high priority among employees. The increased level of satisfaction with management guidance mainly stems from the high rating for managers' openness to and interest in the employees. A slightly lower score was awarded to the Group's handling of workload and absenteeism issues. There is also still some dissatisfaction regarding the development opportunities offered by the Group.

One striking result was that 95% of all employees are somewhat or fully familiar with the Group's core values (integrity, central focus on the customer, responsibility and commitment, team spirit, open communication, flexibility and entrepreneurship), while 80% mention the core values as a catalyst in their daily work.

5. Reputation survey

The Reputation Institute of the Erasmus University Rotterdam performed a survey in 2006 to establish the acceptance of and support for the strategic pillars among employees as well as the quality of internal communication. The results show that the knowledge of and attitude towards the pillars is good. Management communication from the Group is well-developed relative to the benchmark. There is room for improvement in communication among the business units, however. In addition, the survey also revealed that the organisation could do more to help employees put the strategic pillars into practice. The survey will be repeated in 2007 and an internal programme will be started to further improve communication and commitment.

6. Best employer survey

In the survey of the fifty best employers in 2006 conducted by the weekly magazine Intermediair, Delta Lloyd Group ranked 42nd in the Best Employer category and 32nd in the Job Satisfaction category.

7. Health and safety

Continuous attention for absenteeism management had a positive effect on the absenteeism figures of Delta Lloyd Group. Thanks to the sustained Health & Safety policy, the absenteeism rate fell once again in 2006, to 4.3%.

8. New Group CAO

A new CAO (Collective Labour Agreement) took effect for Delta Lloyd Group from 1 June 2005, and is valid until June 2007. The introduction of the new pension and life course saving scheme with effect from 1 January 2006 is one of the major changes.

Delta Lloyd Life in Belgium concluded a new CAO for a three-year period starting 1 January 2007. One focus area of this new CAO is training and development; the CAO also includes procedures for job changes within the organisation.

2.1.8.3 Shareholders

Delta Lloyd Group and its shareholder Aviva have a legal difference of opinion regarding the interpretation of corporate governance arrangements which has been put to the court for an independent opinion. Both parties agree that this difference of opinion must not stand in the way of the mutual business relationship. In practice, the collaboration is both intensive and cooperative.

2.1.8.4 Suppliers

The growing importance of suppliers is necessitating ever-stricter management of strategic suppliers. In this connection the remuneration of suppliers is increasingly linked to achieving objectives and targets set by Delta Lloyd Group.

The divisions decide on the ultimate choice of suppliers, the deliverable resources and services and the applicable terms and conditions, but tendering procedures and decision-making are orchestrated at Group level. One excellent example of the importance of good control is Direct SchadeHerstel – which was introduced in 2006 – where damage reported by customers is no longer settled in cash but is directly repaired by selected suppliers.

In addition, suppliers are asked in every tendering procedure to endorse the Delta Lloyd Group suppliers code of conduct for corporate social responsibility. Whenever a supplier refuses to accept this code of conduct, Delta Lloyd will seek a replacement supplier who is prepared to subscribe to the code. All suppliers who entered into a contract in 2006 via Group Procurement have signed the code.

2.1.8.5 Society

Delta Lloyd Group invested in society in various ways in 2006.

Financial awareness

In 2006, a modest start was made with expanding the 'financial awareness' theme into concrete projects. In one project that is currently being set up employees provide information to vulnerable groups such as heavily indebted people. The employees thus use their specific knowledge to teach the target groups practical skills such as budgeting and keeping financial records. In this project Delta Lloyd Group works together with organisations that know where these vulnerable groups are located and what they need.

In 2006, financial support was also given to several initiatives aimed at children and young people. These initiatives stem from the perception that financial awareness needs to be developed at a young age. The permanent exhibition 'Your World, My World' in the Museon in The Hague is a case in point. Museon, an educational museum for children, organised this exhibition with the specific purpose of displaying the world's rich natural and cultural diversity and mankind's role in preserving this heritage. By building their own world here, and dealing with all the dilemmas and difficult decisions involved in this process, children are encouraged to think about the society and environment in which they live, including the financial aspects. Another initiative is the website called *deshowvanjeleven* (the show of your life) that the Group has developed with the specific purpose of creating financial awareness among children aged 8 to 12. In addition, the Group commissioned a study to find out more about the financial awareness of children, the financial education they receive and whether they would like to learn how to deal with money and risks. Yet another example is *The Temptation,* a theatre show about money and debt for secondary school pupils. It is part of an educational package of NIBUD, the National Institute for Public Information on Budgeting. This package offers teachers an attractive way of presenting the theme of money and helping young people to avoid debt.

Stichting Nuts Ohra

Through Stichting Nuts Ohra the shareholder is also involved in the sponsoring, charity and donation policy. In 2006, this foundation contributed € 5.5 million of its capital to finance healthcare projects. The projects financed in the reporting year included:

Research into:

- Faster healing of chronic, slow-healing wounds
- The optimal diet for children who have had chemotherapy
- The early detection of coronary disease among high-risk patients

Information:

- Animated film to prepare children for chemotherapy
- Film about borderline patients
- Various prevention programmes (mental health, addiction)

Residential, recreation

- Costs for setting up small-scale residential communities, walk-in centres, handicapped cooking and bathing facilities, meeting areas
- Recreational facilities (play equipment, holiday amenities)
- Sports tournaments for the disabled.

In 2006 the Foundation made an additional € 1.25 million available to Delta Lloyd Group for the financing of healthcare projects. In cooperation with the Applied Research Institute TNO and VU University Amsterdam, Delta Lloyd Group is exploring opportunities for health-at-work projects, such as exercise programmes and health promotion at the workplace, with a specific focus on the SME sector. These projects will form part of the group health contracts the Group offers.

Other sponsoring and donation

Delta Lloyd Group's principal sponsoring projects and donations in 2006 are reviewed below.

Culture

- Amsterdam is the home base of Delta Lloyd Group, which consequently supports various cultural and social organisations in the Amsterdam area, including Artis Zoo, Carré Theatre, the Stedelijk Museum (modern art), the Amsterdam Historical Museum, the Maritime Museum and the Netherlands Philharmonic Orchestra.
- The Joop Swart Masterclass has been organised by Stichting World Press Photo annually since 1994 and gives young talented photo journalists from different countries an opportunity to test their work against the criteria of renowned top photographers. The Group sponsored the masterclass for the first time in 2006. The theme was ‘Risk’; a selection of the photos is included in the Year Magazine 2006/2007.

Society

- The Valid Express courier service employs chronically ill and disabled people. By supporting and using the services of Valid Express, Delta Lloyd Group promotes equal opportunities for the physically challenged as well as their financial independence.
- With the assistance of Delta Lloyd Group, the development aid organisation Simavi was able to carry out water projects in Tanzania and Uganda in 2006.
- Every year Delta Lloyd Health organises two trips for customers who are chronically ill or disabled: a pilgrimage by train or plane to Lourdes and a boat trip on the Red Cross Cruise Ship J. Henry Dunant. It also organises an annual boat trip on the Willem Alexander hospital ship for young people with a serious physical or mental handicap.
- In Germany, Delta Lloyd has set up an initiative to increase the safety of schoolchildren. In towns where it is represented through its own insurance intermediaries, Delta Lloyd participates in the so-called ‘Notinseln’ (Emergency Islands) project: these are special assistance points where schoolchildren can request assistance if they feel threatened in any way.

Entrepreneurship

- The Young Entrepreneurs Foundation enables students at intermediate and higher vocational levels to form a management team and run their own business. The aim is to bridge the gap between entrepreneurship in theory and practice. Delta Lloyd is one of the sponsors and also supplies mentors (Delta Lloyd managers) for a number of teams. In addition, Delta Lloyd managers carry out practical assignments for the Young Entrepreneurs Foundation as part of their own personal development plan.
- With effect from 1 January 2007, Delta Lloyd Life has concluded a sponsorship contract with the Flemish Management Association, one of Belgium's biggest management associations. Delta Lloyd Life is thus seeking to raise its profile as a financial service provider for SMEs and the self-employed.

Sports

- Delta Lloyd Group was the official sponsorship partner of TEAM ABN AMRO in the Volvo Ocean Race, the most extreme sailing race in the world. With this partnership Delta Lloyd Group aimed to underline its cooperation with ABN AMRO and boost its brand recognition. After 31,000 nautical miles, the finish took place on 17 June 2006 at Gothenburg. One of the teams co-sponsored by Delta Lloyd Group, ABN AMRO ONE, was the runaway overall winner.
- Delta Lloyd is the official partner of the KNWV (Royal Netherlands Water Sports Association). Delta Lloyd and the Water Sports Association regularly organise joint initiatives for customers and associates.
- In 2003 Delta Lloyd Bank Belgium and Delta Lloyd Life Belgium extended their highly successful partnership with the Flemish Tennis Association for another nine years. This partnership forms the basis of an extensive tennis-themed communication project and makes Delta Lloyd Group the leading tennis sponsor in Belgium.

See also CSR Report 2006

Environment

Delta Lloyd Group attaches great importance to protecting and improving the environment and underlines this by pursuing an active environmental policy. During the reporting year, various environmental objectives were achieved:

- During the period 1996-2005 an energy savings of 27% was realised.
- All new diesel lease cars must be fitted with a soot filter.
- The monitoring of energy consumption, water consumption and waste was further improved in 2006.
- Double-sided copying and increasing digitalisation has further reduced paper consumption.
- All offices under the company's own management have used green electricity since September 2006.

2.1.9 Divisions

Report by division of Delta Lloyd Group's key results and developments in 2006.

2.1.9.1 Delta Lloyd Insurance

Delta Lloyd Insurance is the Group's largest division. Its core activities are life, pension, general and health insurance. Lancyr, a franchise-based administration and marketing formula for independent insurance intermediaries, also forms part of this division. One key characteristic of Delta Lloyd is its intensive cooperation with independent and professional intermediaries in insurance and other fields. Individual freedom and flexibility are the principles underlying all product innovation. Delta Lloyd can thus meet the challenges inherent in our rapidly evolving society and the ever-changing needs of both commercial and personal customers.

In millions of euros	2006	2005
Delta Lloyd Insurance		
Gross premium income, Life	1,524.4	1,507.2
Gross premium income, General	799.5	715.5
Gross premium income, Health	339.0	326.9
Gross income on premiums	**2,662.9**	**2,549.6**
Investment income	829.1	1,658.3
Fee and commission income	18.4	36.8
Other operating income	14.2	27.4
Result on disposal of subsidiaries	-	-
Total income (ex reinsurance premiums and movement in premiums reserve)	**3,524.6**	**4,272.2**
Result before tax	641.4	410.8
Current tax	119.4	77.3
Net result	**522.0**	**333.5**
Total capital and reserves	3,699.5	3,097.0
Permanent staff at year-end in FTEs	2,021	2,084

Despite the highly competitive market and new legislation on early pensions, which has effectively raised the statutory retirement age to 65, total premium income rose by 4%. The increase occurred across the spectrum of life, pension, general and health operations.

The result increased by over 50%, partly due to the positive developments in the financial markets. Both interest rates and equity prices rose strongly in the past year. Tight control of incurred claims also contributed to the good result. Through competitive pricing, the health business of Delta Lloyd Insurance managed to break even.

To control the volatility of the results and the equity position, a large proportion of the life insurance liabilities are measured at market interest rates, while equity positions are partly hedged against downward market movements and swaptions are held to mitigate the interest rate risks.

The strategic focus in 2006 was on the positioning of Delta Lloyd Insurance as the knowledge partner of the SME sector for insurance and pensions. In 2007 this strategy will be further expanded through the development of e.g. insurance products for protecting resources and activities that are vital to safeguard business continuity in a particular sector. The improvement of the cooperation with insurance intermediaries also received a lot of attention. In 2007 the chain will again be further integrated, allowing intermediaries to do business more easily and directly with their customers.

Delta Lloyd Life

The financial result and solvency of Delta Lloyd Life received a positive impulse from the increase in both long-term interest rates and equity prices. The group pension insurance portfolio grew strongly in 2006. New business was acquired both directly and through intermediaries. This success stems largely from the further upgrading of the product range, notably in the field of flexible contracts for the SME sector. Radical improvements in the areas of pricing and risk management helped increase insight into new business value and, hence, higher profitability. The improved risk management enables Delta Lloyd Life to better serve its customers, particularly large collectivities and pension funds, with creative propositions.

Customer satisfaction rose from 6.7 in 2005 to 7.0 in 2006. This improvement is mainly attributable to a better administrative performance and the substantial reduction of the backlogs that resulted from statutory changes in the past years. During 2006 the administrative system of the substantial group pension portfolio was brought wholly into line with the changing legislation, including not only the VPL Act (early retirement, pre-retirement pension and life course savings) but also regulatory laws such as the Financial Supervision Act *(Wet op het financieel toezicht / Wft)*and the Financial Services Act *(Wet financiële dienstverlening / Wfd)*.

The year 2006 saw the inauguration of the Alfa platform, an IT platform for individual and group insurance. This platform is now utilised group-wide, thus underpinning efforts to realise the objectives of the Sharing programme. One good example of this is the new pension line launched by ABN AMRO Insurance which also runs on Alfa.

Priorities for 2007:

- Premium income growth: a growth strategy aimed notably at managing directors/majority shareholders, the self-employed, the SME sector and company pension funds.
- Further improvement of the operational performance: quality improvement under the motto ‘good, fast and reliable'.
- Reinforcement of the customer focus and service-mindedness: continuation and expansion of the policy pursued in 2006, a year in which the entire staff attended commercial training, with spin-offs such as the production of training DVDs featuring interviews with dissatisfied customers.
- Sharing: further steps with a focus on the pension business and individual life insurance.
- Transparency: Delta Lloyd Life wants to continue playing a leading role, both in word and in deed, in the debate around the transparency of unit-linked insurance.

Delta Lloyd General

In 2006 Delta Lloyd General further improved on the excellent operating result of 2005. One key factor in this success was the improved control of incurred claims resulting from the consistent acceptance policy and sustained focus on prevention measures, risk control and fraud limitation. Virtually all segments contributed to this sterling performance, with income, motor vehicle and fire insurance showing particularly strong results. The cooperation with ABN AMRO Insurance is also clearly bearing fruit.

With effect from 1 January 2007, Delta Lloyd General took over the Eurolloyd organisation. Delta Lloyd General has thus accelerated the implementation of its strategy to further strengthen its position in the commercial general insurance market.

The realignment of the distribution channels in the general insurance market is continuing unabated. Personal customers in particular are increasingly buying insurance via direct writers. This prompted Delta Lloyd General to take various initiatives in 2006 to continue providing insurance intermediaries with optimal support in serving customers. One example was the launch last year of the Xclusieflijn, an exclusive insurance line dedicated to the upper end of the personal customer market. In addition, valuable experience was gained through a successful pilot for Direct SchadeHerstel, a fast damage repair service where claims are settled in kind in lieu of cash. In the ongoing pursuit of chain integration Delta Lloyd General successfully launched the 'Schade Online' concept, offering insurance intermediaries ready-made web-based solutions for proposals. This concept allows customers to simply apply for insurance products via the intermediary's site. The takeover of a pleasure boat portfolio has reinforced Delta Lloyd's presence in this segment.

In the commercial market, the range of products available in the online quote & edit package PersoniQ was simplified and expanded. The Entrepreneurs Package was also harnessed to support the intermediary in serving the small business market, and expanded to include car insurance. In addition, special teams were set up to provide a dedicated service to the commercial market and prices of a limited number of products were lowered in 2006 to meet the growing price competition. These initiatives are being well-received by customers.

Income insurance enjoyed a buoyant 2006 with robust sales growth. Contributing factors were the successful cooperation with ABN AMRO Insurance, the launch of a renewed absenteeism product and the WGA Eigen Risico insurance product for occupational disability benefit payments. A special team was set up to provide an enhanced service to the large corporates market. In addition, substantial investments were made in staff expertise so that they can provide an even better service to the intermediary in this knowledge-intensive market.

Insurance intermediaries are increasingly appreciative of the services of Delta Lloyd General. In a comparative performance survey among intermediaries, Delta Lloyd General's overall rating rose slightly from 6.9 to 7.0. Higher scores were achieved for all office-related aspects: service-mindedness, accessibility, flexibility, and willingness to accept difficult risks. In addition, the product offering also received a higher rating on the strength of the improved customisation options.

Priorities for 2007

- Knowledge: in 2007 Delta Lloyd General will continue to strengthen its position as knowledge insurer by investing even more in the training of its people, thus raising the level of service to insurance intermediaries to an even higher level.
- Top position in the commercial market: Delta Lloyd General wants to consolidate and improve its top position in the commercial market, partly through a strong focus on costs to keep products attractively priced.
- Improvement in online tools: online platforms and quote & edit packages will be geared even more to customer needs through targeted IT processes and expansion of the number of products that can be purchased using these tools.

For Delta Lloyd Health see Delta Lloyd / OHRA Health

2.1.9.2 OHRA Insurance

OHRA originated as a direct writer and, together with National Savings Fund, forms the direct writing division of Delta Lloyd Group. The division consists of OHRA Life, OHRA General, OHRA Health & Income and National Savings Fund (with its own sales force). OHRA's key strength lies in responding to the demand among consumers and companies for fast service, both in terms of acceptance and access to online services. Most types of insurance and financial services can be purchased directly by mail and telephone or 24 hours a day via the internet.

In millions of euros	2006	2005
OHRA Insurance		
Gross premium income, Life	371.1	426.7
Gross premium income, General	151.2	142.9
Gross premium income, Health	1,164.0	453.9
Gross income on premiums	**1,686.3**	**1,023.5**
Investment income	110.7	266.5
Fee and commission income	11.1	32.0
Other operating income	22.6	8.9
Result on disposal of subsidiaries	-	-
Total income (ex reinsurance premiums and movement in premiums reserve)	**1,830.7**	**1,330.7**
Result before tax	79.8	67.0
Current tax	15.4	20.7
Net result	**64.4**	**46.3**
Total capital and reserves	401.5	384.3
Permanent staff at year-end in FTEs	1,238	967

OHRA's result was on a similarly high level to that achieved in 2005, despite the considerable pressure on health activities. The introduction of the new health system was less positive for OHRA in financial terms, due to strong price competition and ongoing collectivisation of the health market. Encouragingly, OHRA Health managed to regain part of its market position in its campaign in the run-up to 2007.

With the exception of Health, all sectors made very positive contributions to the result for 2006. Particularly outstanding was General which, like last year, benefited from a very favourable premium/claims ratio. The premium income of OHRA Income developed well. The initiatives taken in anticipation of the new Work and Income (Ability to Work) Act *(Wet werk en inkomen naar arbeidsvermogen / WIA)* supported strong growth in new business and (future) premium income in this sector.

The key event at OHRA in the year 2006 was the implementation of Refresh. This new growth strategy is aimed at bringing about a shift in mindset from product thinking to target group thinking, and forms part of the Sharing programme. Employees from all business units went on a 'customer safari' in order to hear directly from (prospective) customers what they want and expect in terms of insurance. Listening-in sessions were also organised at the call centre. The knowledge acquired from these direct customer contacts were used to define five core target groups and to initiate the development of propositions tailored to the needs of these groups.
Another important pillar of Refresh consists of developing a more personal approach to customers. Partnerships with new non-sector distribution partners such as Kruidvat (a chemist chain) and the ANWB (Dutch Automobile Association) are also being harnessed as an additional source of growth.

OHRA Life

Though OHRA Life achieved robust life course saving scheme turnover in 2006, the public interest in the life course saving scheme was lacklustre. Employees continued to show a preference for the salary savings scheme. The new government must therefore take steps to give a fresh, sustainable impulse to the life course saving scheme. In 2006, defined contribution schemes for company pensions grew in popularity. OHRA Life is responding to the opportunities in this market with the web-based product Internet Pension.

In cooperation with National Savings Fund, an alternative distribution line was realised, giving a strong impulse to the annuity turnover. Turnover in single premium business received a major boost from the introduction of a dedicated pricing desk and a widening of the negotiating latitude in the call centre.

Priorities for 2007:

- New propositions: in May 2007 the first customer target group proposition will be launched, reflecting the shift from product to target group thinking that was set in motion by Refresh. In a separate initiative, special term life insurance premium rates will be introduced for non-smokers in the first quarter of 2007.
- Anticipation of banking competition through shared product development: OHRA Life and OHRA Bank have joined forces to stay ahead of growing competitive pressure, which is already expected to make itself felt in 2007.
- Reinforcement of position in the individual market: alongside telephone sales, online options will increasingly be used in lead generation and transactions.

OHRA General

Despite the growing competitive pressure in the general insurance market, 2006 was another successful year for OHRA General due to a favourable premium-claims ratio. The ambitious turnover target for collectivities was exceeded, and the portfolio showed significant net growth. The combined General & Health product offering (December 2006) proved a great success.

Going forward, OHRA also has high expectations regarding the defined target groups in the general insurance field. The increasing collectivisation trend is also highly promising, as are the new opportunities for cross-selling.

In 2006, a retention working group set up a special customer retention team in the call centre. In addition, the marketing policy was focused more sharply on specific target groups. Virtes, the virtual insurer of OHRA, was set up specifically to serve one of these target groups: the internet user.

Priorities for 2007:

- Improve competitive position: the market is becoming increasingly competitive and the boundary is blurring between direct writing and indirect distribution channels. Thanks to its low cost base and claims ratio, its efficient sales process (direct acceptance/editing) and excellent staff knowledge, OHRA is confident that it is well-equipped to cope with this changing environment. Moreover, substantial gains can still be made in terms of commercial agility, innovation and ICT support. The Sharing programme is promoting progress in these areas.
- Propositions: new propositions developed as part of the Refresh programme will be presented.
- Customer retention: in 2007 the retention programme aimed at customer loyalty and retention will be expanded further.
- Collectivisation: a great deal of attention will be devoted to the shift in the portfolio mix from individual to group contracts.

OHRA Income

The change from the old Invalidity Insurance Act (Wet op de Arbeidsongeschiktheidsverzekering / WAO) to the Work and Income (Ability to Work) Act *(Wet werk en inkomen naar arbeidsvermogen / WIA)* on 1 January 2006 has transformed the income insurance market. With employers initially concentrating on health insurance, this market got off to a slow start. Despite fierce competition, OHRA succeeded in achieving good growth on the strength of competitive pricing, a seamless response to the needs of employers and employees and a clear vision on market developments.

Priorities for 2007:

- Increase in scale: the scale of the income insurance business is still insufficient. Steps will therefore be taken in 2007 to concentrate the processing activities with the group's other income insurance offerings.

National Savings Fund

The National Savings Fund can look back on a turbulent but successful 2006. The major event was the adjustment of the cost structure of the intermediary organisation in line with changing market circumstances. Considerable effort also went into intensifying the service to other group entities, reactivating the insurer function, supporting the processing of Virtes (the virtual insurer of OHRA) and retaining customers.

Priorities for 2007:

- Adjust the organisation: further adjustments of the organisation to new market conditions are planned, which may have consequences for both the intermediary and the insurer function.
- Cooperation with OHRA: intensify the cooperation in the commercial field.

Delta Lloyd / OHRA Health

On 1 January 2006, the new Health Insurance Act took effect in the Netherlands. The introduction of more market forces triggered a strong shift of customers, giving the market all the characteristics of a commodity market. Another noteworthy development concerned the trend towards collectivisation; not only via the employer but also via associations such as the hobby computer club. In total, some 20% of the population switched insurers at the start of 2006. On balance, this mass movement resulted in a major loss of customers at Delta Lloyd Group. One of the reasons was that at the start of 2006 customers were no longer receiving the expected service levels from Delta Lloyd and OHRA. An additional problem was that customers were strongly focused on price, so that the Group's choice to emphasise quality over price failed to produce sufficient response.

The campaign in the run-up to 2007 was conducted in a much calmer market environment. Evidently consumers could not be bothered shopping around for health insurance twice in the same year.

Delta Lloyd Health

In July, Delta Lloyd Health engaged in a charm offensive with a view to restoring the intermediary's trust following the service dip in early 2006. In the campaign for 2007 Delta Lloyd continued to emphasise its distinctive quality in health combined with competitive pricing. Health guarantees assure customers that they will receive the necessary treatment within a maximum of two weeks.

Together with a number of insurance intermediaries an answer was found to the collectivisation process by starting up special group contracts for customers. In December these group contracts were given massive exposure via the site switchenloont.nl, with a motto emphasising that health matters more than price (‘health is too valuable to take risk with').

OHRA Health

In 2006, OHRA targeted its campaign for 2007 at prospective insurance customers within existing group contracts. A range of group policies is available, each with its own product/price combination and target group proposition. Each collectivity policy also has its specific niche. In this connection OHRA Health made a deliberate effort last year to extend its reach beyond its own direct distribution channel via e.g. a targeted ‘white label strategy’ (for Kruidvat, for instance) , various alliances (Independer, ANWB and HCC) and affinity groups (such as educational associations, societies for the elderly, universities etc.).

In the personal market OHRA Health launched the ‘To Your Life Service’ in response to customers' wish to adapt their supplementary insurance to changes in their personal circumstances. In the case of major life events such as marriage, birth and divorce, customers can adjust their insurance on a monthly basis.

Scale and synergy

In June 2006, Delta Lloyd Group announced a merger between its health businesses and Menzis and Agis. This was to create one of the biggest health insurance combinations in the Netherlands, which could benefit from its scale to negotiate the best quality and lowest prices with health suppliers. Unfortunately, this merger failed to materialise. Nevertheless, the strategy of Delta Lloyd Group remains focused on increasing the scale of its health operations.

The Boards of OHRA Health and Delta Lloyd Health were merged in June 2006. The aims were to maximise the internal synergy between the health businesses, ensure the proper coordination of cross-label campaign management and improve the service levels. From 1 January 2007, the health businesses of OHRA and Delta Lloyd Insurance will continue as a single independent health business that works for the various labels in the Group and possibly also for third parties. The associated reorganisation was started early in 2007. This will make the health business more cost-effective, agile and competitive.

Priorities for 2007:

- Strengthen competitive position: the strategy of Delta Lloyd Group remains as focused as ever on increasing the scale of its health operations. The independent health business that was launched for the various Group labels on 1 January 2007 will be expanded further.
- Enhance efficiency: improve service levels and reduce costs. This must be realised through, among other things, a link-up with OpenZorg, a standard application that supports the most important administrative processes of health insurers.

2.1.9.3 ABN AMRO Insurance

ABN AMRO Insurance is a key element of Delta Lloyd Group's chosen strategy to serve customers through the banking distribution channel. ABN AMRO Insurance combines the best of two worlds: the channels and customers of ABN AMRO Bank in the Netherlands and the insurance expertise of Delta Lloyd Group. ABN AMRO Insurance is a young, ambitious insurer that delivers top-quality products to customers of ABN AMRO Bank. The service is fast and reliable, offering simple products where possible and tailor-made products where needed.

In millions of euros	2006	2005
ABN AMRO Insurance		
Gross premium income, Life	685.5	747.3
Gross premium income, General	215.9	269.0
Gross premium income, Health	-	-
Gross income on premiums	**901.4**	**1,016.2**
Investment income	258.9	510.6
Fee and commission income	37.5	30.0
Other operating income	4.2	10.3
Result on disposal of subsidiaries	-	-
Total income (ex reinsurance premiums and movement in premiums reserve)	**1,202.0**	**1,567.1**
Result before tax	91.9	66.5
Current tax	21.7	20.9
Net result	**70.1**	**45.6**
Total capital and reserves	370.5	347.5
Permanent staff at year-end in FTEs	570	590

ABN AMRO Insurance can look back on an excellent financial result for 2006, even though the ambitious sales targets were undershot in certain product groups. Measures have been taken in cooperation with ABN AMRO to turn this around. Among other things, insurance is now included in the bank's sales management efforts. In addition, ABN AMRO is adopting a more open stance to active sales support by ABN AMRO Insurance.

Market activities

ABN AMRO wants to raise its profile in the commercial market for group contracts. One good example is the Panta Rhei project. This project was started by ABN AMRO Insurance in 2006 as part of the Group Pension Strategy, and is being carried out in tandem with ABN AMRO Bank and Delta Lloyd Life. The project is aimed at doubling the pension market share. The initial results became visible in the course of 2006 in the form of several large contracts that were effected through ABN AMRO Bank in the fields of the Work and Income (Ability to Work) Act *(Wet werk en inkomen naar arbeidsvermogen / WIA)* and pensions.

Health showed several positive developments, in both the commercial and the personal customer segments. One successful initiative was the Insurance Scanning Desk where desk staff analyse the existing general insurance portfolios of personal customers in order to help the bankshops optimise their customers' insurance portfolios. In 25% of the cases, the scans lead to new full-service relationships. From January 2007, insurance scans will be offered to all preferred banking customers, a core target group of ABN AMRO. These scans also take the customer's personal circumstances and pension situation on board.

Various products were launched onto the market, or relaunched in an improved format. In July 2006, OHRA, Delta Lloyd Insurance and ABN AMRO Insurance embarked on the first phase of 'Direct SchadeHerstel' (in-kind claims settlement through immediate repair of damage). This joining of forces yields substantial cost savings on certain types of claims, and also serves to improve customer satisfaction. A survey showed that customer satisfaction with claims handling remained at the same high level in 2006.

From 1 January 2007, all insurance products of Bouwfonds Hypotheken, part of the ABN AMRO Mortgage Group, were placed exclusively with ABN AMRO Insurance. New insurance business originated by MoneYou, the online mortgage provider of ABN AMRO, is also being transferred to ABN AMRO Insurance. For ABN AMRO Insurance this represents a substantial new business flow.

Human resources

Many initiatives were taken to develop and support the staff of ABN AMRO Insurance. The employee satisfaction survey showed that significant progress had been achieved in respect of the most important points for improvement that emerged from the 2005 survey, namely personal development opportunities and management leadership. Compared with the previous measurement, employees are also more satisfied about the handling of workload/absenteeism issues, their immediate colleagues, their immediate superior, work consultation meetings, performance and appraisal interviews, the customer focus of other departments and the internal information flow.

In February 2006, an extensive employability pilot got under way at various departments. The annual PDP (Personal Development Plan) workshops that were organised attracted a lot of interest. During these workshops entitled 'Make Your Future Work', staff and managers learned how to prepare for the annual PDP interview, the periodic performance interview in which the personal development plan plays a key role. In carrying out this pilot, ABN AMRO Insurance acted as trailblazer and was able to offer the Group an interesting business case.

All employees of ABN AMRO Insurance attended commercial training. This resulted, among other things, in the presentation of success awards to reward employees who sent in ideas for customer service improvements or realised such initiatives. In 2006 some 20 awards were presented. Preparations for the creation of a Commercial Think Tank dedicated to generating and implementing commercial ideas were also set in motion.

Other events
One important event was the relocation in mid-2006 to the IJssel Tower in Zwolle, which was effected without any operational disruption.

Priorities for 2007:

- Further improve services to customers: expansion of the segment-specific approach and packages, more bundling with banking products and increased services via the internet.
- Help improve effectiveness of ABN AMRO: make products less complex, convert tailor-made solutions into commodity products, develop front-office systems together with ABN AMRO and provide sales support where necessary.
- Sharing: in the coming year a lot of energy will be put into further developing the Sharing programme which is aimed at cooperation, efficiency and strong growth.

2.1.9.4 Delta Lloyd Asset Management and Delta Lloyd Property

Delta Lloyd Asset Management is Delta Lloyd Group's investment specialist, handling investments for the Group's own insurance operations and for third parties. Activities performed on behalf of third parties focus on asset management services for institutional (pension) customers and management of the Delta Lloyd Group mutual funds.

Delta Lloyd Property invests in property on behalf of the Group's operating companies to secure adequate cover for long-term insurance liabilities. The portfolio contains direct and indirect property investments. The direct portfolio comprises residential premises, offices and shops, while the indirect portfolio consists of participating interests in unlisted Dutch property funds. In 2007 Delta Lloyd Property will be integrated into Delta Lloyd Asset Management.

Delta Lloyd Asset Management

In millions of euros	2006	2005
Delta Lloyd Asset Management		
Result before tax	54.5	46.1
Assets under management	52,381.7	47,352.7
Permanent staff at year-end in FTEs	91	88

Delta Lloyd Asset Management had an excellent 2006, though growth was less spectacular than in previous years. The main causes for this slight slowdown were the limited interest in bond funds due to the net rise in interest rates and the absence of fund launches in 2006. However, the moderate interest in bond funds was more than compensated by the heightened interest in equity funds.

The mutual funds of Delta Lloyd Group achieved a satisfactory overall performance in 2006. Particularly outstanding were the Delta Deelnemingen Fonds (+39.4%) and the Delta Lloyd Donau Fonds (+26.6%). Delta Lloyd Group's own equity portfolios once again realised an outstanding performance (+15.4%). In a difficult fixed-income year, the fixed-income portfolios of Delta Lloyd Group achieved a slightly negative return (-0.6%) but outperformed the benchmark.

In the Netherlands, the distribution network of Delta Lloyd Asset Management was further expanded in 2006 with, among others, Rabobank. In 2007 further agreements are expected with a number of other major players. These are currently under negotiation. Opportunities for starting up or expanding the distribution in Germany and Belgium are also being explored. Here too third-party distribution is attracting a lot of attention, though this development is still in its infancy in both countries.

In 2006 the 'Balans+Management' concept was launched for the institutional market. This concept is aimed at pension funds requiring fiduciary management alongside asset management services. In addition, it offers solutions in the field of risk management and responsible balance sheet matching. The matching portfolio aims to cover the obligations, while the performance portfolio seeks optimisation of returns. With Balans+Management Delta Lloyd Asset Management is primarily targeting medium-sized pension funds, a group which again appears to offer good potential for 2007.

Transparency is and remains an important theme within Delta Lloyd Asset Management, though Life and Mortgages are obviously more at the forefront of the current debate about this issue within the Group. The most important regulatory change concerns the new trading system which is scheduled to take effect at the end of February 2007. This trading system, which was developed based on the recommendations of the Winter Committee, ensures maximum transparency concerning the net asset value of mutual funds. The net asset value of the fund is published daily so that investors can always see the relationship between the price they pay and the net asset value of the fund. The difference between bid and offer prices (spread) will be eliminated, and all stock exchange orders will be executed daily at the same time and the same price, based on the net asset value with a limited premium or discount.

Pursuant to the new Act on the Supervision of Collective Investment Schemes *(Wet toezicht beleggingsinstellingen / WtB)*, Delta Lloyd Asset Management NV has been authorised to carry on the business of mutual fund manager. In view of their special character UCITS are required to go through a separate authorisation procedure. This authorisation is expected to be granted in the first quarter of 2007.

Priorities for 2007:

- Strengthen competitive position: 2007 will bring further new fund launches, including a fixed-income absolute return fund and one or more funds aimed at value (Select Opportunities Fund).
- Expand distribution network: through expansion of third-party distribution in the Netherlands and start-up and expansion of the distribution network in Germany and Belgium.
- Roll-out and further expansion of the new service concept in the institutional market: Balans+Management.
- Ongoing construction of a risk management framework.

Delta Lloyd Property

In millions of euros	2006	2005
Delta Lloyd Property		
Investment income	192.4	137.9
Assets under management	2,124.0	1,821.9
Permanent staff at year-end in FTEs	32	30

Delta Lloyd Property can look back on a good year. The return on the total property portfolio, and the indirect result in particular, was high (+12%) due to substantial realised and unrealised capital gains resulting from the successful sale of offices and a positive revaluation of the total portfolio. The vacancy rate stabilised thanks to good rental transactions in (mainly) the offices portfolio.

In 2006, Delta Lloyd Property took over the direct property portfolio of the NedLloyd Pension Fund, representing the biggest acquisition in its history. This purchase fits in with the growth ambition and also marks a step towards the envisaged rebalancing of the asset mix, with greater emphasis on the retail portfolio. Other noteworthy transactions were the sale of part of the office portfolio to Cortona and the purchase of the stores belonging to the Development Plan for the Centre of Geleen, a town in the South of the Netherlands. In addition, several large rental contracts were concluded. These concerned new rentals totalling about 17,000m^2 of office space and sell-to-rent contracts for about 23,000 m^2 office space.

The prices of rental property (with good cash flow) are still rising. This is spurring considerable investor interest in direct property and indirect property investments, both from institutional parties and retail investors.

The Property Development Department was restructured. The focus has shifted to acquisitions, which constitute the feeder channel for portfolio growth. The pipeline was well-filled with new projects at the end of 2006 as a result of acquisitions as well as property development activities.

The intention is to integrate Delta Lloyd Property into Delta Lloyd Asset Management in the course of 2007. The integration of the property activities within the asset management division offers great synergy potential. Ahead of this development the companies of Delta Lloyd Property were restructured into sector companies in 2006, namely Residential, Offices and Retail. This paves the way for third-party participation in the property portfolio. The process will involve a change in role and mindset from property manager to property fund manager. More specifically, in order to facilitate third-party participation, a property fund will be set up in 2007. The fund will target primarily the divisions of Delta Lloyd Group but in the (near) future also third parties.

Priorities for 2007:

- Portfolio growth: further expansion of the direct and indirect property portfolio through acquisitions and/or alliances.
- Transformation from property manager to property fund manager.
- Synergy benefits: take full advantage of the proposed integration of Delta Lloyd Property and Delta Lloyd Asset Management in order to further develop fund management competencies at Delta Lloyd Property.

2.1.9.5 Delta Lloyd Banking

Delta Lloyd Banking incorporates all banking and mortgage activities of Delta Lloyd Group in the Netherlands and Belgium. The Banking Division operates through Delta Lloyd Bank Belgium and through OHRA Bank and Delta Lloyd Bank in the Netherlands, serving both personal and commercial customers. Delta Lloyd Bank Belgium carries a full range of products and services for these customers, whom it serves through a growing number of bank branches and independent agents. In the Netherlands savings, mortgage, loan and investment products are offered under the Delta Lloyd Bank brand, both directly and through independent intermediaries. OHRA Bank sells these products direct to end customers, and increasingly via third parties.

In millions of euros	2006	2005
Delta Lloyd Bankinggroup		
Investment income	234.5	210.9
Fee and commission income	62.7	61.2
Other operating income	17.8	10.2
Result on disposal of subsidiaries	-	-
Total income (ex reinsurance premiums and movement in premiums reserve)	**315.0**	**282.3**
Result before tax	27.1	21.4
Current tax	4.2	7.7
Net result	**22.9**	**13.6**
Total capital and reserves	270.3	313.6
Permanent staff at year-end in FTEs	1,223	1,182

The income and result of Delta Lloyd Bank Netherlands (the OHRA Bank and Delta Lloyd Bank labels) were under pressure in 2006. The Dutch market was characterised by cut-throat competition, particularly in the mortgage and savings markets. After several highly successful years of growing market share in the Dutch mortgage market, some contraction occurred in 2006 due to fierce competition. The competition in the savings segment also made it difficult to attract new savings funds and retain existing savers. The performance of mutual funds proved a major determinant in the decision of investing customers whether to stay with Delta Lloyd or not. Delta Lloyd Bank Netherlands will pull out all the stops to continue growing in 2007. To this end, improvements will be implemented across the board (distribution, product innovation and pricing policy). Shifts in the Dutch market, which already became noticeable in 2006, also provide scope for this.

The result was also under pressure due to an increase in the costs and the flatter yield curve (smaller difference between short-term and long-term interest rates). Substantial investments were made in the implementation of the new Basel II legislation as well as in further automation. These efforts will bear fruit in 2007. The flatter yield curve caused a strong contraction of the interest margin, which is an important source of income for Delta Lloyd Bank Netherlands.

In 2007 Delta Lloyd Bank Netherlands will seek further efficiency and synergy benefits, partly in cooperation with Delta Lloyd Belgium. Globus, the IT platform of Delta Lloyd Bank Netherlands, will also be implemented in Belgium.

Delta Lloyd Bank Belgium had a successful year in which income and result grew once again. In 2006 Delta Lloyd Bank Belgium celebrated its fifth anniversary. But there were other reasons to celebrate. After four time- and resource-consuming mergers in five years, 2006 was a year for harvesting. At the Private Banking Department, assets under management increased by 20% to over € 3 billion. The inauguration of a revolving credit card and the transition to open architecture (sale of both in-house and third-party mutual funds) proved a success. Fifty new outlets were added to the sales network in 2006, bringing the total to 250.

The securitisation of part of Delta Lloyd Bank Belgium's mortgage portfolio marked a new milestone. This securitisation – the conversion of mortgage contracts into securities that are subsequently placed with institutional investors – represents a value of over € 1 billion and serves to reinforce the balance sheet and liquidity position.

An important pillar of the success of Delta Lloyd Bank Belgium is the attention for customers and staff. The introduction of a new CRM system is aimed at leveraging the quality and efficiency of services. Branch managers are required to contact every customer at least once a year. To increase employee engagement, Delta Lloyd Bank Belgium introduced a balanced score card for all 900 or so employees and 140 agents.

Priorities for 2007:

- Improve competitive position in the Netherlands through strong focus on cost reductions and launch of new products.
- Increase efficiency in the Netherlands and Belgium through e.g. the implementation in Belgium of Globus, the IT platform of Delta Lloyd Bank Netherlands, in 2007.
- Increase distribution capacity.

2.1.9.6 Delta Lloyd Germany

Delta Lloyd Germany, headquartered in Wiesbaden, provides insurance, wealth accumulation and management and lending services to both personal and commercial customers. The division includes, among others, the insurance companies Delta Lloyd Lebensversicherung and Hamburger Lebensversicherung, Gries & Heissel Bankiers, Delta Lloyd Investment Managers and Delta Lloyd Finanzpartner.

In millions of euros	2006	2005
Delta Lloyd Germany		
Gross premium income, Life	553.3	719.3
Investment income	333.3	352.5
Fee and commission income	45.2	47.2
Other operating income	0.7	2.4
Result on disposal of subsidiaries	-	-
Total income (ex reinsurance premiums and movement in premiums reserve)	**932.6**	**1,121.4**
Result before tax	-6.8	4.2
Current tax	5.5	-4.3
Net result	**-12.3**	**8.5**
Total capital and reserves	282.8	146.4
Permanent staff at year-end in FTEs	789	797

Frans van de Veer (57), divisional president of Delta Lloyd Germany, passed away on 4 January 2007 after an illness courageously borne. Frans van de Veer had been divisional president of Delta

Lloyd Germany since 1 January 2003. He served Delta Lloyd Group for almost thirty years. His commitment, knowledge and hard work for Delta Lloyd Group will be sorely missed.

The successor of Frans van de Veer is expected to be named in 2007. There were also other changes at board level in the reporting year: Martin Heuvelmans (formerly director of Delta Lloyd Life) was appointed CFO and Wolfgang Fuchs was appointed as commercial director with effect from 1 July 2006. Board changes also took place at Delta Lloyd Investment Managers and Gries & Heissel Bankiers.

The rising interest rates had a major impact on the commercial result. The 'kapitalisierungsproducten' became much less interesting for customers due to the increased interest rates, which had a strong effect on income. Mortgages faced a price war as large players in the savings market entered the mortgage market. Delta Lloyd Germany is focusing on profitable growth and decided not to join in the price cutting. The rising equity prices and resulting investment gains had a positive influence on the result, but this was not sufficient to compensate the disappointing interest result. The absolute cost level showed a favourable development.

The closing months of 2006 brought a strong revival in sales, a trend that is expected to be sustained in 2007. Two training programmes were started up in 2006 to sharpen the commercial and marketing edge: 'Fit für den Kunde', a commercial training programme for all German employees, and 'NEW', a programme aimed at boosting sales and market share in various ways, including the development of new distribution channels.

Priorities for 2007:

- Increase commercial and marketing power.
- Develop new distribution channels to increase income and market share.
- Strategic alliances in the field of bancassurance.

2.1.9.7 Delta Lloyd Belgium

Delta Lloyd Life, the primary activity of Delta Lloyd Belgium, is headquartered in Brussels and is active through the banking, intermediary and direct writing channels. The division primarily targets the markets for wealth accumulation products and classic life insurance. Several years ago it also started providing pension products in the form of group insurance (second pillar) and has since built up an attractive product range in this field.

In millions of euros	2006	2005
Delta Lloyd Belgium		
Gross premium income, Life	300.0	396.9
Investment income	102.0	92.1
Fee and commission income	4.7	7.8
Other operating income	3.5	-
Result on disposal of subsidiaries	-	-
Total income (ex reinsurance premiums and movement in premiums reserve)	**410.1**	**496.9**
Result before tax	52.4	-35.7
Current tax	1.6	0.1
Net result	**50.8**	**-35.8**
Total capital and reserves	161.4	63.5
Permanent staff at year-end in FTEs	303	281

Delta Lloyd Life had a good year in 2006. Regular premium income growth exceeded expectations, with group insurance sales increasing particularly sharply. Single-premium policy sales decreased due to the 'Generation Pact' (government measures implemented at the end of 2005 to counter the ageing problem) and the related introduction of a premium tax of 1.1% from 1 January 2006. One positive aspect of the Generation Pact is that it has spurred tremendous customer interest in pension saving products and group insurance.

The strong equity markets had a positive effect on the result. The rising interest rates permitted the release of a provision of € 30 million (the addition made in 2005). This income item was taken to the result. The mortgage market went from strength to strength in 2006, and is expected to remain robust in 2007.

The development of the new business contribution and the European Embedded Value suffered from the fragile interest rate market and the time value of options (profit sharing) and guarantees. These remain points for concern in 2007.

Transparency

Transparency of financial products is high on the political agenda in Belgium as well. Assuralia, the Belgian Association of Insurers, teamed up with the professional federations of intermediaries to develop a code of conduct that took effect on 1 January 2007. Moreover, Assuralia is working on the introduction of a maximum interest rate for life insurance products.

Corporate governance

In the coming years the finance industry regulator will devote extra attention to corporate governance. In this regard, the first building blocks for a Business Continuity Plan were laid in 2006. This plan is to become operational in 2007. In addition, risk management models were implemented in 2006.

Improvement of processes

As part of the Atlas project Delta Lloyd Life, in conjunction with FIS, is implementing a new back-office system called ALIS. The first phase of the system, which will considerably shorten the 'time to market', is expected to be fully operational by the end of 2007.

In 2006 the employees were actively trained for three core values: central focus on the customer, responsibility and commitment, and team spirit. The combination of this culture programme with the newly introduced processing philosophy, 'day processing and error-free', already led to a substantial reduction in the work-in-progress stock. The first results are noticeable in the field of quality and service, though the perception is not yet fully visible in the market. In extension of the training of the sales organisation in 2006, the commercial skills of all employees of Service & Operations will be trained in 2007 through the 'One world' programme.

In cooperation with Delta Lloyd Bank, efforts are being undertaken to achieve shared product launches and simplify the administration.

The sales organisation was adjusted in order to achieve synergy benefits between second-pillar products (group and company pensions) and third-pillar products (individual pensions and wealth accumulation), in combination with a sharper segmentation of the distribution network.

Distribution

Within the bank distribution channel the cooperation with Delta Lloyd Bank will be further optimised in the coming year, with a view to doubling the number of active bank agents (active for Delta Lloyd Bank and Delta Lloyd Life). As regards direct sales, which are currently restricted to two products via the classic direct mail channel, a study will be carried out to see how this distribution channel can be extended to the internet, with a focus on modern savings products.

Market activities

Delta Lloyd Life won a life insurance award for the fifth consecutive year in 2006. The debt clearance insurance product Union Gold, which was launched in January 2006, took the honours. In conjunction with Asset Management, a direct marketing campaign was carried out to promote the New Energy Fund within the intermediary and bank distribution channels; the results in the field of new regular premium were excellent.

Delta Lloyd Life organised an entrepreneur survey in which more than 8,500 businesspeople participated in order to help create a more entrepreneurial climate in Belgium. In 2007, Delta Lloyd Life will organise a revamped national survey in cooperation with the country's principal media groups (De Tijd and Roularta), this time centring on the theme 'pensions, working longer or saving earlier?' With this initiative, Delta Lloyd Life is seeking to project itself more emphatically in the market as the number one pension specialist.

Employees

A new three-year CAO (Collective Labour Agreement) was concluded with the employee organisations with effect from 1 January 2007. The negotiations for the new sector-based CAO for 2007 are still ongoing.

Priorities for 2007:

- Increase profitable turnover: above-market growth to be achieved through e.g. acquisitions and/or new partnerships. Further ambitions are an improvement of the new business contribution by reducing the time value of options and guarantees.
- Improve the quality of the income mix: more regular premium and less single premium.
- Continue cost reductions: through optimum cost control and active management of FTE development (internals and externals).
- Improve performance and service: further elaboration of processing philosophy ‘daily processing and error-free', improvement of relative position in annual performance surveys among insurers and implementation of ALIS according to planned milestones.

2.2 Report of the Supervisory Board

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 Meetings of Shareholders for adoption. Taking into account the unqualified audit opinion of PricewaterhouseCoopers Accountants NV, which is included in this annual report, we recommend that the shareholders adopt the financial statements. In addition, we inform you that our Board, in accordance with article 35 of the Articles of Association, approves the decision of the Executive Board to add € 676.3 million of the reported profit to the reserves and to pay a dividend of € 173.9 million from these reserves.

The year 2006

Delta Lloyd Group can look back on an excellent year financially, with a result before taxation of € 845 million. On balance, premium income remained stable at € 5.8 billion, as the decline in life premiums was offset by the consolidation of the national health activities. Total income fell to € 8.4 billion.

Prudent financial policy

The good financial result is largely attributable to the pursuit of a prudent financial policy. Delta Lloyd Group benefited from the buoyant equity markets and rising long-term interest rates. Provisions previously set aside because of the low interest rate levels could partly be released. Due to growing competition, price pressure and new legislation, the commercial performance remained stable in 2006.

Corporate governance

The act on the two-tier regime has been amended and, notably, the provisions on the appointment of Supervisory Board members. The new act leaves scope for alternative arrangements between shareholders and the company.
By means of the unusual step of serving a writ of summons, Delta Lloyd Group has requested that Aviva adhere to the corporate governance arrangements made between the two parties. The Supervisory Board wishes to emphasise that this development poses no obstruction whatsoever to the relationship with shareholder Aviva.

Strategic developments

The Supervisory Board was actively engaged in determining the set-up and objectives of the Sharing programme. This programme encompasses a gradual transition to a new organisational structure that is focused on growth (doubling of premium income by 2010) and efficiency through an optimal use of the scale that has meanwhile been achieved and through the sharing of such activities as administration and product development. This will support strong volume growth at low cost, particularly in the field of standard products.

Mergers and acquisitions

The Supervisory Board holds the viewpoint that increasing scale in health insurance is imperative to maintain Delta Lloyd Group's position in the Dutch market. The Supervisory Board also discussed the merger and acquisition policy in other areas, notably in terms of what is required to attain the necessary growth in Germany.

Risk management policy

The Supervisory Board discussed at length a further tightening of the financial risk management policies. In 2006 a Group Risk Committee was set up, consisting of the full Executive Board, Divisional Presidents and several Group Directors. The committee advises on the response to financial, insurance, strategic and operational risks and on the optimisation of the solvency capital. A Financial Risk Report was prepared and discussed in the Audit Committee of the Supervisory Board.

Supervisory Board meetings

The Supervisory Board met five times in 2006. The many issues that the Supervisory Board discussed during the meetings in 2006 included the new health insurance strategy, the sharing initiatives and future strategic organisational developments.

The discussions of the quarterly and yearly figures were attended by the members of the Executive Board and, barring a few exceptions, by all members of the Supervisory Board. As is customary, the Supervisory Board also looked at the Group Plan 2007-2009.

Supervisory Board Committees

The Supervisory Board is supported by three committees that prepare specific issues for decision-making in the full Supervisory Board. The committee members all come from the Supervisory Board. In accordance with the applicable Terms of Reference, each committee reports on findings within its specific area of responsibility to the Supervisory Board at the next meeting of the Board. The committees also provide written reports of the meetings.

The Audit Committee met five times in 2006. All meetings were attended by one or more representatives of the Executive Board, the director of Group Finance & Control, the director of Group Audit & Integrity and the director of Group Actuarial & Risk Management. The meetings held in February and December were also attended by representatives of PricewaterhouseCoopers, the external auditor of Delta Lloyd Group. During the meetings, the quarterly, half-yearly and annual results were discussed at length, as were the auditor's reports, actuarial analyses, the management letters and the reports on the internal audit findings.

The Remuneration Committee met three times in 2006, and the Nomination Committee five times. Alongside standard items such as the remuneration policy of Delta Lloyd Group, the long-term incentive plan and the targets of the Executive Board, the agenda also included the method for appraising the performance of the Supervisory Board and the appointments of new members and the chairman of the Supervisory Board.

Contacts with the Central Works Council

A changing delegation of the Supervisory Board participated in the scheduled consultative meeting between the Executive Board and the Central Works Council. The annual tripartite consultation between the Supervisory Board, the Executive Board and the Central Works Council took place in November 2006. The theme of this day was 'the 24-hour economy'.

Supervisory Board and Executive Board changes

Executive Board changes

The Supervisory Board appointed Henk Raué (55) as a member of the Executive Board of Delta Lloyd Group effective from 1 January 2007. Until that date Mr Raué was divisional president and CEO of ABN AMRO Insurance. He succeeded Rob Hillebrand, who decided to pursue his career outside Delta Lloyd Group. Mr Hillebrand (51) resigned his position as member of the Executive Board with effect from 15 December 2006. He served Delta Lloyd Group for 25 years and, until his appointment to the Executive Board in 2003, was responsible for the integration of direct writer OHRA into the Group. The Supervisory Board is grateful to Mr Hillebrand for his contribution to the Group's development.

Supervisory Board changes

Tidjane Thiam (44) was appointed as a member of the Supervisory Board. Tidjane Thiam was nominated by shareholder Aviva plc in London and consequently succeeds Ph.G. (Philip) Scott (52) who was a member of the Supervisory Board since 2003. Philip Scott stepped down after a realignment of responsibilities within the Executive Committee of Aviva.

Messrs J.G. (Jan) Haars (54) and E. J. (Eric) Fischer (60) were appointed as new members of the Supervisory Board. Mr R.H.P.W. (René) Kottman (60) was reappointed and also named as the new chairman. The appointments were prompted by the departure of the chairman of the Supervisory Board, Mr J.A.N. (Jacques) van Dijk, and of the Supervisory Board member H.C. (Caspar) Broeksma. They resigned after serving for the maximum of three four-year terms. Jan Haars succeeds Caspar Broeksma as chairman of the Audit Committee. The Supervisory Board thanks Messrs Van Dijk, Broeksma and Scott for their valuable contribution over many years.

Financial calendar

Delta Lloyd Group follows the financial calendar of its shareholder Aviva and will therefore publish its results for the first six months of 2007 on 9 August 2007.

Appreciation

The members of the Supervisory Board wish to express their gratitude to the Executive Board, the employees of Delta Lloyd Group and the Works Councils for their hard work in the past year. The Supervisory Board thanks them for their dedication and expertise and the fruitful cooperation.

2.3 Delta Lloyd Group key figures

Key figures Delta Lloyd Group for the year ending 31 December

In millions of euros	Life	General	Health	Bank	Fund Management	Other	Total 2006
Gross income on premiums	3,145.7	1,166.6	1,503.1	-	-	-	5,815.3
Investment income	1,581.9	74.1	28.9	247.6	1.5	196.6	2,130.5
Fee and commission income	84.2	21.8	4.8	83.7	143.1	-9.1	328.7
Other operating income	19.6	1.8	20.9	17.9	9.4	37.4	107.0
Result on disposal of subsidiaries	-	-	-	-	-	-	-
Total income (ex reinsurance premiums and movement in premiums reserve)	**4,831.4**	**1,264.3**	**1,557.7**	**349.2**	**153.9**	**225.0**	**8,381.5**
Result before tax	728.5	189.0	-2.2	26.5	54.5	-151.3	845.0
Current tax	112.5	58.8	-10.5	6.6	12.8	-45.9	134.3
Net result	**616.0**	**130.2**	**8.2**	**19.9**	**41.7**	**-105.4**	**710.7**
Total capital and reserves	**4,237.8**	**729.6**	**300.2**	**310.2**	**67.0**	**-1,039.2**	**4,605.7**
Permanent staff at year-end in FTEs	**1,790**	**842**	**801**	**1,324**	**91**	**1,599**	**6,446**

Key figures Delta Lloyd Group for the year ending 31 December of the prior year

In millions of euros	Life	General	Health	Bank	Fund Management	Other	Total 2005
Gross income on premiums	3,771.7	1,164.5	780.8	-	-	-	5,716.9
Investment income	2,781.7	124.4	32.1	241.1	6.0	162.4	3,347.7
Fee and commission income	87.5	19.0	7.9	83.4	77.8	30.6	306.2
Other operating income	15.2	5.1	6.7	11.3	-	57.6	95.9
Result on disposal of subsidiaries	-	-	-	6.1	-	8.4	14.5
Total income (ex reinsurance premiums and movement in premiums reserve)	**6,656.1**	**1,313.0**	**827.5**	**341.8**	**83.8**	**259.0**	**9,481.2**
Result before tax	235.5	228.1	31.2	35.4	46.1	-24.7	551.6
Current tax	40.5	70.3	10.4	4.5	14.5	-20.2	120.0
Net result	**195.0**	**157.8**	**20.8**	**30.9**	**31.6**	**-4.5**	**431.6**
Total capital and reserves	**3,219.9**	**700.1**	**259.0**	**342.9**	**28.5**	**-776.3**	**3,774.1**
Permanent staff at year-end in FTEs	**1,803**	**842**	**610**	**1,292**	**88**	**1,550**	**6,184**

2.3.1 Key figures by division

Key figures Delta Lloyd Group for the year ending 31 December

In millions of euros	Delta Lloyd Insurance	OHRA Insurance	ABN AMRO Insurance	Delta Lloyd Germany	Delta Lloyd Bankinggroup	Other	Total 2006
Gross income on premiums	2,662.9	1,686.3	901.4	553.3	-	11.4	5,815.3
Investment income	829.1	110.7	258.9	333.3	234.5	364.0	2,130.5
Fee and commission income	18.4	11.1	37.5	45.2	62.7	153.8	328.7
Other operating income	14.2	22.6	4.2	0.7	17.8	47.4	107.0
Result on disposal of subsidiaries	-	-	-	-	-	-	-
Total income (ex reinsurance premiums and movement in premiums reserve)	**3,524.6**	**1,830.7**	**1,202.0**	**932.6**	**315.0**	**576.5**	**8,381.5**
Result before tax	641.4	79.8	91.9	-6.8	27.1	11.7	845.0
Current tax	119.4	15.4	21.7	5.5	4.2	-31.8	134.3
Net result	**522.0**	**64.4**	**70.1**	**-12.3**	**22.9**	**43.6**	**710.7**
Total capital and reserves	**3,177.5**	**401.5**	**370.5**	**282.8**	**270.3**	**103.0**	**4,605.7**
Permanent staff at year-end in FTEs	**2,021**	**1,238**	**570**	**789**	**1,223**	**604**	**6,446**

Key figures Delta Lloyd Group for the year ending 31 December of the prior year

In millions of euros	Delta Lloyd Insurance	OHRA Insurance	ABN AMRO Insurance	Delta Lloyd Germany	Delta Lloyd Bankinggroup	Other	Total 2005
Gross income on premiums	2,549.6	1,023.5	1,016.2	719.3	-	408.3	5,716.9
Investment income	1,658.3	266.5	510.6	352.5	210.9	348.9	3,347.7
Fee and commission income	36.8	32.0	30.0	47.2	61.2	99.1	306.2
Other operating income	27.4	8.9	10.3	2.4	10.2	36.6	95.9
Result on disposal of subsidiaries	1.7	-	-	-	6.1	6.8	14.5
Total income (ex reinsurance premiums and movement in premiums reserve)	**4,273.8**	**1,330.7**	**1,567.1**	**1,121.4**	**288.4**	**899.7**	**9,481.2**
Result before tax	410.8	67.0	66.5	4.2	21.4	-18.3	551.6
Current tax	77.3	20.7	20.9	-4.3	7.7	-2.4	120.0
Net result	**333.5**	**46.3**	**45.6**	**8.5**	**13.6**	**-15.9**	**431.6**
Total capital and reserves	**3,097.0**	**384.3**	**347.5**	**146.4**	**313.6**	**-514.8**	**3,774.1**
Permanent staff at year-end in FTEs	**2,084**	**967**	**590**	**797**	**1,182**	**565**	**6,184**

2.3.2 Ten-year summary

Ten year summary 1)

In millions of euros	2006 IFRS	2005 IFRS	2004 IFRS	2004 Dutch GAAP	2003 Dutch GAAP	2002 Dutch GAAP	2001 Dutch GAAP	2000 Dutch GAAP	1999 Dutch GAAP	1998 Dutch GAAP	1997 Dutch GAAP
Income											
Gross premium income, Life	3,146	3,772	3,437	3,648	3,153	2,744	2,686	2,283	1,941	1,705	1,067
Gross premium income, General	1,167	1,164	1,133	1,133	978	810	752	774	579	529	490
Gross premium income, Health	1,503	781	834	834	851	787	708	685	139	-	-
Gross premium income, other	-	-	-								
Total premium income	5,815	5,717	5,405	5,615	4,982	4,341	4,146	3,742	2,659	2,234	1,557
Investment income	2,131	3,348	2,407	2,255	2,210	1,021	1,400	1,796	1,842	1,425	1,067
Other operations	436	417	364	165	177	124	76	130	39	28	13
	8,381	**9,481**	**8,176**	**8,035**	**7,369**	**5,486**	**5,622**	**5,668**	**4,540**	**3,687**	**2,637**
Result before tax											
Life	729	236	286	249	238	152	291	313	250	223	187
General	189	228	141	135	92	13	19	-9	3	8	34
Health	-2	31	17	16	5	12	23	12	-	-	-
Banking and insurance broking operations	81	81	46	24	20	2	3	22	9	8	6
Other	-151	-25	-52	-15	-44	-21	31	12	30	42	56
Result before taxation and exceptional income and expenses	**845**	**552**	**439**	**409**	**311**	**158**	**367**	**350**	**292**	**281**	**283**
Exceptional income and expenses	-	-	-	-	-28	-	-	-	-	-	-
Extraordinary result	-	-	-	-	-	-	-	-	-	-	-4
Result before tax	845	552	439	409	283	158	367	350	292	281	279
Current tax	-134	120	-98	-98	-27	-20	-68	-65	-52	-61	-70
Result after tax	**711**	**432**	**340**	**311**	**256**	**138**	**299**	**285**	**240**	**220**	**209**
Attributable to:											
Equity	676	409	327	302	247	138	299	285	240	220	209
Minority interests	34	23	13	9	9	-	-	-	-	-	-
Net result	**711**	**432**	**340**	**311**	**256**	**138**	**299**	**285**	**240**	**220**	**209**
Total capital and reserves	**4,606**	**3,774**	**2,796**	**2,649**	**2,244**	**1,713**	**2,354**	**2,878**	**2,360**	**1,779**	**1,994**
Total assets	**59,598**	**57,084**	**49,275**	**40,730**	**38,077**	**32,781**	**34,239**	**30,992**	**28,753**	**21,261**	**15,752**
Figures per ordinary share of € 9.08 face value, per preference B share of € 453.78 face value and per preference A share € 9.08 face value, in euros.											
Dividend (ordinary shares)	51.14	31.73	24.01	24.01	-	-	23.71	27.04	29.46	30.83	30.44
Dividend (preference B shares)	18.02	18.02	18.02	18.02	-	-	20.79	20.79	20.79	20.79	-
Dividend (preference A shares)	0.24	0.24	0.24	0.24	0.24	0.23	0.23	0.23	0.23	-	-
Permanent staff at year-end in FTEs	**6,446**	**6,184**	**6,459**	**6,459**	**6,514**	**6,464**	**6,506**	**5,639**	**5,636**	**3,452**	**2,319**

1) The comparable numbers are based on the then applicable accounting standards

2.4 Milestones

JANUARY

Delta Lloyd Group sells stake in ENNIA
In line with the Group strategy, which focuses on the Dutch, German and Belgian markets, Delta Lloyd Group sells its 79.65% interest in ENNIA. The book value of ENNIA, an insurer based on the Netherlands Antilles and Aruba, amounts to € 19 million with total assets of € 359 million.

Fruitful cooperation
The cooperation between Delta Lloyd General and ABN AMRO Insurance leads to a large group collective contract for insurance with ABN AMRO under the Work and Income (Ability to Work) Act *(Wet werk en inkomen naar arbeidsvermogen / WIA)*. The three-year contract covers all bank employees in the Netherlands.

FEBRUARY

Janosch package launched in Germany
Delta Lloyd Germany introduces the ‘Janosch’ package that combines various savings products and products for securing the future. The concept is unique in the German market and named after a famous children's author. Janosch's books and characters have an extremely positive image and are recognised by 87% of the target group (parents and grandparents).

MARCH

Delta Lloyd Life organises entrepreneur survey in Belgium
Belgium is brimming with entrepreneurial spirit: that's the message from the entrepreneur survey organised by Delta Lloyd Life which drew 8,500 participants. The survey measured the attitudes of Belgian entrepreneurs and non-entrepreneurs towards entrepreneurship and the ins and outs of starting up a business. However, only 13% of the respondents consider Belgium's climate conducive to entrepreneurship. Delta Lloyd Life hopes that this survey will help create a more entrepreneurial climate in Belgium.

APRIL

Writ of summons served on majority shareholder Aviva plc
Delta Lloyd Group took the unusual step of using a writ of summons to request that Aviva live up to the corporate governance arrangements made between both parties, notwithstanding a recent statutory amendment, and to adhere to the agreed method of appointing members of the Supervisory Board. These arrangements guarantee the Group's autonomous position within the Aviva group and, in the past, were stipulated as a condition for agreeing to the takeover by Aviva. In the past thirty-three years these constituted the basis for successful cooperation.

Awards for Asset Management

The Delta Deelnemingen Fonds wins two Standard & Poor's Cash Fund Awards, both in the category Dutch three and five years.

MAY

Expansion of Delta Lloyd's online services

As market leader in the field of chain integration Delta Lloyd expands the online options for entrepreneurs and insurance intermediaries with the PersoniQ Adviestool. This advisory tool provides insight into the risks run by entrepreneurs in relation to employee sickness and occupational disability. PersoniQ is intended for SMEs up to one hundred employees, and combines the most important insurance products for employees.

JUNE

Agis, Menzis and Delta Lloyd/OHRA Health announce merger

Agis Health Insurance, Menzis Health & Income and the health insurers of Delta Lloyd Group, Delta Lloyd & OHRA Health, announce that they intend to combine forces to form a new leading health insurer. With four million customers and a market share of 25%, the tie-up would create a health insurance group that occupies a solid position at the top of the market and aims to provide good quality and accessible care at competitive prices. The merger was to be implemented in October 2006 and finalised over the course of 2007. However, the deal was rejected at the last moment by the members' council of Menzis and consequently failed to materialise.

ABN AMRO ONE wins Volvo Ocean Race

On 17 June, seven months after starting from Spain on 12 November 2005, Mike Sanderson and his ABN AMRO ONE arrive in Gothenburg as overall winners. Delta Lloyd Group was the official partner of TEAM ABN AMRO in the world's most extreme sailing race. With the partnership Delta Lloyd underlines its cooperation with ABN AMRO Bank and boosts its brand recognition.

OHRA scores well in internet banking survey

A survey conducted by internet monitor Watchmouse shows that Dutch banks underperform in terms of access to internet accounts. Only the online bank accounts of OHRA and Rabobank meet the standard during the survey period.

JULY

'Direct SchadeHerstel': a new in-kind claims settlement service

OHRA, Delta Lloyd and ABN AMRO launch 'Direct SchadeHerstel', an in-kind claims settlement service, marking a major new addition to their service offering. Customers reporting damage can opt for an immediate repair by a recognised firm in lieu of monetary payment. So with a single call, the customer knows exactly where he stands, what the arrangements are and when the damage will be repaired.

Delta Lloyd insures Q7 Offshore Wind Farm

Delta Lloyd insures the construction and risks of Q7, the offshore wind farm that is being built some 25 kilometres off the Dutch coast at IJmuiden. The farm consists of sixty turbines and will generate around 440 million Kwh annually, enough to provide 125,000 households with renewable electricity. Delta Lloyd is the only Dutch insurance company with the necessary expertise to insure this specialised project.

OHRA markets Voordeel Hypotheek

Thanks to a joint effort of Delta Lloyd Bank, OHRA Life, OHRA General and OHRA Bank, OHRA is once again able to offer a new mortgage: the OHRA Voordeel Hypotheek. The various parties will continue to work closely together in implementing the product.

AUGUST

Customer retention project yields over € 100 million

In eight months' time, the customer retention project of Delta Lloyd Mortgage yields more than € 100 million. Formerly, about € 400 million of capital drained away annually as customers refinanced their mortgage loans elsewhere. The customer retention project represents a change in approach: customers now receive an attractive refinancing proposal at a favourable interest rate.

Berlinische renamed Delta Lloyd

Berlinische Lebensversicherung, part of Delta Lloyd Germany, will continue under the name Delta Lloyd Lebensversicherung. This reinforces the Delta Lloyd brand in the German market and improves the German life insurer's positioning in that market as an integrated financial service provider.

Customer satisfaction at ABN AMRO Insurance

A digital customer satisfaction survey of the online handling of personal liability claims produced an average rating of 8.2.

Delta Lloyd takes part in Booming Business

Delta Lloyd teams up with the Dutch SME interest group MKB-Nederland to set up Booming Business, an interactive concept enabling entrepreneurs to calculate the value of their business online. In addition, ambitious entrepreneurs have a chance to take part in the television programme Booming Business.

OHRA now also insures Eccky babies

In offering a free health, general and liability insurance package to a virtual baby, OHRA becomes the first insurer to enter in-game advertising. The online game Eccky (www.eccky.nl), which was launched in March, is immensely popular among the target group aged 10-35 and already has some 300,000 registered users. The game involves two people getting together to create and raise an Eccky baby. OHRA is using the game to highlight the importance of insurance among this young target group. It also gives OHRA an opportunity to experiment with different methods of communication with future customers.

Delta Lloyd Sailing Race a great success

The first 24-hour Sailing Race is held under the name of title sponsor Delta Lloyd. As the Netherlands' largest water sports insurer, sponsoring this spectacular sailing event is a logical choice. Delta Lloyd is specialised in insuring pleasure boats and has for many years been an enthusiastic sponsor of other major water sports events, such as the HISWA Amsterdam Boat Show. Delta Lloyd Group was also co-sponsor of Team ABN AMRO.

SEPTEMBER

Delta Lloyd launches new brand campaign

In launching the new brand campaign 'Niets is zeker ...' *('Nothing is secure...')* Delta Lloyd embarks on a new direction. The campaign shows that the brand not only stands for insurance, but also for investing and banking. The key message being communicated is: Delta Lloyd is a financial service provider with an interest in the lives of its customers, and uses its in-depth knowledge to come up with well-thought-out solutions.

Good customer satisfaction score for Delta Lloyd Private Banking and OHRA

In the annual customer satisfaction ranking of advisory firms in the magazine Incompany, Delta Lloyd Private Banking captures second place in the Private Banking category. Private Banking even takes first place on the aspects pricing and performance. OHRA also scores well in the survey. In the insurer category OHRA comes in fourth place, as it did in the previous year. The aspects communication (6.80) with and reliability (6.87) of the contact persons in particular receive better ratings than last year.

Delta Lloyd increases interest in Van Lanschot

On 14 September 2006, Delta Lloyd Group increases its interest in Van Lanschot from 24.99% to 25.37% in response to the proposed share issue of the Dutch bank.

OCTOBER

Delta Lloyd strengthens position in commercial insurance market

Delta Lloyd Schadeverzekering NV and the Board of Eurolloyd Nederland BV/ Eurolloyd België NV agree that Delta Lloyd will acquire the shares in the Eurolloyd companies from 1 January 2007. The takeover marks an acceleration of Delta Lloyd's strategy to strengthen its position in the commercial insurance market.

Delta Lloyd Bank Belgium securitises part of mortgage portfolio

For the first time in its history Delta Lloyd Bank securitises part of its mortgage portfolio and places this with institutional investors. This securitisation transaction represents a value of over € 1 billion and serves to reinforce the balance sheet and liquidity position.

Honourable mention for Delta Lloyd Group's annual report

With the Certificate of Transparency Delta Lloyd Group receives an honourable mention for its annual report 2005 in the annual report survey carried out by management consultancy Scenter. The rating of 8.2 earned the Group second place in the unlisted companies category (shared first in 2005) and sixth place – as first financial service provider – in the overall rating. The survey encompassed 104 reports. The Scenter annual report survey assesses annual reports on their transparency on policy issues.

NOVEMBER

Merger between Menzis, Agis and Delta Lloyd Group health insurers is called off

Delta Lloyd Group announces that it has been notified that the members' council of Menzis Health & Income have decided not to approve the proposed merger between Menzis, Agis Health Insurance and the health insurers of Delta Lloyd Group, Delta Lloyd & OHRA Health, into DAM Zorgverzekeringsgroep. Delta Lloyd Group deliberates on the situation that has arisen and its implications.

Information on investment-based insurance on websites

Following the publicity and commotion around investment-based insurance products, Delta Lloyd Group sets up dedicated sections on the websites of Delta Lloyd and OHRA to provide information on investment-based insurance products. In addition to explaining the product features and costs, answers are given to frequently asked questions.

Delta Lloyd launches Schade Online

In launching Schade Online, Delta Lloyd makes a further step towards chain integration. With Schade Online Delta Lloyd offers insurance intermediaries and employers ready-made web-based solutions for making direct contact with customers and employees. The free module Schade Particulier Online allows personal customers to apply for quotes and general insurance products on the insurance intermediary's website. Travel and car insurance products are to be added soon. Thanks to Schade Collectief Online, employees can buy and manage their general insurance package on their own. The module is placed on the employer's (intranet) site.

DECEMBER

Delta Lloyd Bank Belgium integrates Delta Lloyd Securities

The activities of Delta Lloyd Securities are integrated into the structure of Delta Lloyd Bank Belgium, giving the bank economies of scale, a wider range of products and services, back-office synergy and greater commercial opportunities. The integration strengthens Delta Lloyd Bank's image as the Belgian banking arm within the banking division of Delta Lloyd Group.

Bouwfonds Hypotheken places new insurance business with Delta Lloyd Group

From 1 January 2007 Bouwfonds Hypotheken, part of ABN AMRO Bank, will place all insurance policies exclusively with Delta Lloyd Group.

OHRA gets employers on board with early diagnosis concept

After a trial period of almost a year, OHRA becomes the first health insurer to include the NIPED Prevention Compass, the leading prevention and early diagnosis concept, in all its group health contracts. OHRA expects that in the coming year over 100,000 employees will already use the new system for medical prevention and lifestyle intervention. Employers are also extremely enthusiastic about giving a new impulse to a sustainable ‘corporate’ health policy.

Executive Board change

With effect from 1 January 2007, Henk Raué is appointed as member of the Executive Board of Delta Lloyd Group. Within the Executive Board he is responsible for Delta Lloyd Insurance, Delta Lloyd Life (Belgium), Health and HRM. Henk Raué succeeds Rob Hillebrand, who is continuing his career outside the Group. In 2006 Henk Raué was divisional president and CEO of ABN AMRO Insurance.

3 General information

Delta Lloyd NV is a public limited liability company ("naamloze vennootschap") incorporated and domiciled in the Netherlands. The company address is Amstelplein 6, 1096 BC Amsterdam. Together with its subsidiaries (collectively, the"Delta Lloyd Group") it transacts life insurance and long-term savings business, most classes of general insurance and health business, banking and fund management through its subsidiaries, associates and branches in the Netherlands, Belgium, Luxemburg, Germany and, up to 29 December 2005, the Netherlands Antilles and Curacao.

The reporting segments used within Delta Lloyd Group are based on the above activities. These segments are life insurance, general insurance, health insurance, banking and fund management. Further details are given in note 4.

CGU International Holdings BV of Amsterdam, a wholly-owned subsidiary of Aviva plc, with head offices in London, is the ultimate holder of Delta Lloyd NV's entire ordinary share capital. In addition Stichting Nuts Ohra holds an interest in the form of preference shares.

These financial statements have been authorised for issue by the Executive Board, following their approval by the Supervisory Board on 23 February 2007. The General Meeting of Shareholders is to adopt these financial statements at the Annual Meeting on 16 May 2007.

3.1 Consolidated financial statements

3.1.1 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied throughout Delta Lloyd Group, to all the years presented, unless otherwise stated. In order to enhance the insight some reclassifications have been made in the 2005 income statement.

Changes in accounting policies

The accounting policies used in the financial statements to determine the components of the insurance liabilities of several Life entities in the Netherlands and Belgium, and the accounting policies relating to part of the occupational disability liabilities in the Netherlands, have changed compared to the consolidated financial statements for 2005. Instead of being discounted at a fixed actuarial rate, insurance liabilities are calculated at market rates based on the current swap curve. This change was made because discounting at market rates gives better insight into the value of the related liabilities and thus provides more relevant information. Due to an adjustment to the reporting systems, this change was now possible for the relevant part of the liabilities. To avoid an accounting mismatch, investments attributable to the portfolio in force are reclassified, where required, from assets available for sale to assets at fair value through profit or loss. The impact of this change in accounting policies on the various lines in the financial statements is as follows:

Impact of changes in accounting policies in 2005

In millions of euros	2005 before changes in accounting policies	2005 after changes in accounting policies
Balance sheet		
Equity securities available-for-sale reserve	1,260.6	1,260.6
Insurance liabilities	30,565.2	30,586.7
Deferred tax liabilities	162.6	156.3
Income statement		
Gross investment income	3,218.3	3,218.3
Change in insurance liabilities	3,506.0	3,522.7
Tax expense	124.8	119.9
Consolidated statement of changes in equity		
Gross fair value gains and losses	830.4	830.4
Transfer of changes in value relating to DPF	-67.9	-43.1
Changes in fair value through profit or loss	-59.1	-59.1
Tax effect	-52.9	-52.9
Result for the year	443.5	431.6

Impact of changes in accounting policies in 2006

In millions of euros	2006 before changes in accounting polices	2006 after changes in accounting policies
Balance sheet		
Equity securities available-for-sale reserve	1,505.4	1,505.4
Insurance liabilities	31,140.0	31,130.8
Deferred tax liabilities	151.5	153.9
Income statement		
Change in insurance liabilities	620.8	633.1
Tax expense	138.2	134.3
Consolidated statement of changes in equity		
Gross fair value gains and losses	522.8	522.8
Transfer of changes in value relating to DPF	26.6	26.6
Changes in fair value through profit or loss	-281.3	-281.3
Tax effect	-11.6	-11.6
Result for the year	702.3	710.7

The cumulative impact of changes in accounting policies for years prior to 2005 totals € 3.4 million.

For practical reasons it is not possible to indicate in respect of the change in accounting policies in Belgium what the impact on the figures for 2006 would have been under the old accounting policies.

3.1.1.1 (A) Basis of presentation

From 2005, all European Union listed companies are required to prepare consolidated financial statements using International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. Delta Lloyd Group, although an unlisted company, voluntarily applies IFRS in its consolidated financial statements.

With regard to the Standards and Interpretations endorsed by the European Union during 2006, Delta Lloyd Group decided to adopt IFRS standard 7 *Financial Instruments: Disclosures* early. The following Standard/Interpretations were not adopted early: IAS 1, *Capital Disclosure*, IFRIC 7 *Applying the Restatement Approach under IAS 29*, IFRIC 8 *Scope of IFRS 2* and IFRIC 9 *Reassessment of Embedded Derivatives*. The early adoption of this Standard and these Interpretations would not have affected Delta Lloyd Group's result and equity.

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

Unless stated otherwise, assets and liabilities are carried at historical cost; where necessary, assets are shown net of impairment charges. Income and expenses are allocated in accordance with the matching principle. For financial assets and liabilities that are of a current nature (i.e. recoverable/payable within one year) the difference between cost and fair value is deemed to be insignificant. Derivative financial instruments, which are measured at fair value irrespective of their term, are an exception.

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

IAS 1, *Presentation of financial statements,* requires a distinction between current and non-current assets and liabilities in the consolidated balance sheet, unless a liquidity-based presentation provides better insight. For an insurance group, close control over liquidity, asset and liability matching, and highly-regulated capital and solvency positions is considered more relevant. The current/non-current distinction is therefore not given for insurance-related items. Further details of their risk management are provided in note 35.

The company income statement is prepared in compliance with section 2:402 of the Netherlands Civil Code.

3.1.1.2 (B) Use of assumptions and estimates

The preparation of financial statements in accordance with IFRS requires Delta Lloyd Group to make estimates and assumptions that affect items reported in the consolidated balance sheet and income statement and the disclosure of contingent assets and liabilities at the date of the financial statements. The insurance liabilities are prone to estimates and assumptions. These estimates and assumptions are based on management's best knowledge of current facts, circumstances and, to some extent, future events and actions. Important assumptions made by management are explained in the relevant note. Actual results may ultimately differ, possibly significantly, from those estimates. Insofar as such estimates or assessments have a significant impact on the financial statements, an explanation is provided in note 26.

3.1.1.3 (C) Consolidation principles

Subsidiaries

Subsidiaries are those entities (including Special Purpose Entities) in which Delta Lloyd Group has power to exercise control over financial and operating policies in order to gain economic benefits. Subsidiaries are consolidated from the date on which effective control is transferred to Delta Lloyd Group and are excluded from consolidation from the date effective control is lost. To safeguard consistency, the accounting policies used by the subsidiaries have been aligned with those applied by Delta Lloyd Group. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between subsidiaries are eliminated.

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

Investment funds in which Delta Lloyd Group has power to exercise control, either directly or indirectly, are consolidated. As Delta Lloyd Group is obliged to acquire minority interests in such funds in the event that these are offered, they are classified as liabilities and appear as “other liabilities” in the consolidated balance sheet (see note 32). These liabilities are recognised at fair value through profit or loss. See also accounting policy T and accounting policy I.

Associates

Associates are entities over which Delta Lloyd Group has significant influence, but which it does not control. Generally, it is presumed that Delta Lloyd Group has significant influence where it has between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting. This method takes account of any goodwill paid on acquisition net of impairment charges since the acquisition date. Under this method, the cost of the investment in the associate, together with Delta Lloyd Group's share of that associate's post-acquisition changes to equity, is included as an asset in the consolidated balance sheet. Where necessary, the accounting policies adopted by the associates were changed to ensure they are consistent with the policies adopted by Delta Lloyd Group. Delta Lloyd Group's share of their post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. Equity accounting is discontinued when Delta Lloyd Group no longer has significant influence over the investment. All intercompany transactions, balances and unrealised gains and losses on transactions with associates have been eliminated, unless unrealised losses provide evidence of impairments.

When Delta Lloyd Group's share of losses in an associate equals or exceeds its interest in the undertaking, Delta Lloyd Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the entity.

3.1.1.4 (D) Foreign currency translation

Income and expenses and cash flows of foreign entities for which the functional currency differs from Delta Lloyd Group's presentation currency are translated into the presentation currency at average exchange rates for the year. The assets and liabilities in the balance sheets of these entities are translated at the year-end exchange rates. Exchange differences arising from the translation of the net investment in foreign subsidiaries and associates, are taken to the currency translation reserve within ‘other reserves'. On disposal of a foreign entity such exchange differences are transferred out of this reserve and are recognised in the income statement as part of the gain or loss on sale.

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

Translation differences on debt securities and other monetary financial assets measured at fair value through profit or loss are included in foreign exchange gains and losses in the income statement. For monetary available-for-sale financial assets these are treated as if they are carried at amortised cost in the foreign currency. For such financial assets, exchange differences resulting from changes in amortised cost are recognised in profit or loss. Other changes in fair value are included in the investment revaluation reserve within equity.

Translation differences on non-monetary items, such as equities which are held at fair value through profit or loss (see accounting policy T), are reported as part of the fair value gain or loss, whereas such differences on available-for-sale equities are included in the investment valuation reserve within equity.

3.1.1.5 (E) Product classification

Insurance contracts are defined as those containing significant insurance risk and only if, at the inception of the contract, an insured event could cause an insurer to pay substantial additional benefits in a possible scenario, excluding scenarios that lack commercial substance. Insurance risk is considered significant if the payment on occurrence of an insured event differs at least 10% from the payment if the event does not occur. These contracts shall be considered insurance contracts throughout the remaining term to maturity, irrespective of when the insured event occurs. Any contracts not considered insurance contracts under IFRS are classified as investment or service contracts, without the entire premium income being recognised in the income statement. Contracts can be reclassified to insurance contracts after inception if insurance risk becomes significant.

Some insurance and investment contracts contain a participating feature, the value and timing of which depend on decisions taken by management. The participating feature is a contractual right to receive additional benefits as a supplement to guaranteed benefits. These contracts are referred to as discretionary participating contracts or DPF contracts if the additional benefits are likely to be a significant portion of the total contractual benefits, and if the amount of the benefit or the date of grant is at the discretion of Delta Lloyd Group. Furthermore, the additional benefits referred to are contractually based on the performance of a specified portfolio of contracts or a specified type of contract, realised and/or unrealised investment returns on a specified investment portfolio held by Delta Lloyd Group or the profit or loss of Delta Lloyd Group, the fund or the subsidiary entering into the contract.

3.1.1.6 (F) Income and expenses relating to insurance contracts

Premiums

Premiums on life insurance contracts and participating investment contracts are recognised as income when receivable. For single-premium business, this is the date from which the policy is effective. For regular-premium contracts and additional contributions, receivables are taken at the moment when payments are due. Premiums on unit-linked insurance contracts are recognised when the corresponding liabilities are recognised. Premiums are shown gross of commission and before any sales-based taxes or duties. When policies lapse due to non-receipt of premiums, all accrued premium income shall be debited to premium income from the date on which the policies are deemed to have lapsed.

General insurance and health premiums written reflect business incepted during the year, and exclude any sales-based taxes or duties. Unearned premiums are those proportions of the premiums written in a year that relate to periods of risk after the balance sheet date. Unearned premiums are computed principally on either a daily, monthly or quarterly pro rata basis. Premiums received from underwriting agents (relating to proxy contracts) are recognised with a three month delay.

Investment contracts without discretionary participation features (DPF) have no associated premium income. The recognition of fee income on such contracts is covered in accounting policy G.

Claims

Life insurance business claims reflect the expenses of all claims arising during the year, including handling costs, as well as policyholder bonuses accrued in anticipation of bonus declarations.

General insurance and health claims incurred include all losses occurring during the year, whether reported or not, related claims handling costs, a reduction for the value of salvage and subrogation, and any adjustments to claims outstanding from previous years.

Claims handling costs relate to internal and external costs incurred in connection with the settlement of claims. Internal costs include all direct expenses of the claims department and any related general administrative costs directly attributable to the claims function.

3.1.1.7 (G) Income and expenses relating to investment contracts

Fees

Investment contract policyholders are charged fees for policy administration, investment management, surrenders or other contract services. These fees are recognised as revenue in the period in which they are collected unless they relate to services to be provided in future periods. Amounts are recognised when the obligations to the policyholder have been adjusted for those fees. If the fees are for services to be provided in future periods, then they are deferred and recognised as the service is provided.

Policyholders are charged an initiation fee on some non-participating investment and investment management contracts. If the fee relates to an investment management services component, the fee is deferred and amortised as the services are rendered. If there is no contract for investment management services, the upfront fee is recognised as revenue on receipt. However, for investment contracts that are measured at amortised cost in the balance sheet, the fee forms part of the amortised cost value.

Claims

In respect of non-participating investment contracts, claims reflect the excess of amounts paid over the account balance released.

3.1.1.8 (H) Fee and commission income and expenses

Fee and commission income consists primarily of investment fund management fees, distribution fees from mutual funds, commission revenue from the sale of mutual fund shares, and intermediary fees. These fees are recognised when the services to which they relate are extended. Reinsurance commissions receivable and other commission income are recognised on the trade date.

Other fee expenses represent any uncapitalised commission expense paid during the reporting period to agents, advisers, brokers, and dealers (e.g. renewal commission).

3.1.1.9 (I) Net investment income

Investment income consists of dividends, interest and rental income receivable for the year, fair value changes in investments through income (as defined in accounting policy T) 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 yield on the investment. It includes interest income as a result of interest rate differentials on forward foreign exchange contracts. Rental income is recognised on the basis of the rental period lapsed.

The realised gain or loss on disposal of an investment is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost as appropriate. Unrealised gains and losses represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year. Interest and dividend income is not recognised in net gains and net losses on financial instruments measured at fair value through profit or loss.

Income from securities lending is recognised and settled with the relevant counterparty on a quarterly basis. Income and expenses under repurchase agreements are included in the contractual transaction amount when the contract expires.

3.1.1.10 (J) Acquisition costs

Acquisition costs are fixed and variable costs arising from writing insurance contracts including direct costs and indirect costs.

Commission expenses and other acquisition costs for insurance contracts and discretionary participating investment contracts represent the acquisition commission costs and other acquisition costs incurred during the period for these contracts, less the amounts capitalised during the financial year, plus amortisation.

Transaction costs for non-participating investment contracts and non-discretionary participating investment contracts only include costs that are taken to the income statement during the term of these contracts. Transaction costs are incremental costs that are directly attributable to the acquisition of a financial asset or financial liability, and include fees, for example for commissions paid to advisers and brokers.

In some circumstances the transaction costs may exceed the initial premium received. In such cases, the initial measurement could result in the recognition of an asset (measured at amortised cost).

3.1.1.11 (K) Contracts with discretionary participation features (DPF contracts)

The fair value of investment contracts with discretionary participation features is difficult to measure reliably. Under DPF contracts, investors are assigned a contractual right to additional investment returns achieved by the DPF investment fund. Delta Lloyd Group is entitled to decide whether this additional return is distributed to the policyholder or the shareholder, subject to the contract terms and conditions. It is not possible to calculate the fair value of these DPF contracts as additional returns cannot reliably be measured. In particular, these contracts are not actively traded. Given this, no further explanation of the fair value is provided.

The Netherlands

Except for one product from 'Nationaal Spaarfonds' (NSF), Delta Lloyd Group does not offer any products with discretionary participation features (DPF) in the Netherlands.

Belgium

The Belgian market consists of products with discretionary participation features only. The discretionary participation features (DPF) are described in a plan that contains the products, conditions and calculations for participation features. The actuarial service department and the Management Board defined this plan, which is approved by the shareholders' meeting and must be authorised by the Belgian insurance regulator (CBFA).

The contracts with discretionary participation features are insurance contracts as well as investment contracts.

Germany

Profit sharing for traditional insurance policies and single-premium investment bonds issued by Delta Lloyd Germany is based on the technical results plus the excess of interest-earnings over the base rate. A total of 91.7% of the excess interest-earnings and technical results is added to a provision for future allocation to policyholders. This percentage is based on management's assessment of the expected profit distribution, and includes the expected tax amounts. The allocation of this provision is at the discretion of the board of Delta Lloyd Germany.

Unallocated divisible surplus

Both in Belgium and in Germany the difference between the (net) assets and the (net) liabilities in relation to discretionary participating contracts is classified as a liability in a provision for unallocated divisible surplus.

3.1.1.12 (L) Insurance and DPF investment contract provisions

Life insurance business provisions

In accordance with IFRS 4, *Insurance Contracts*, all insurance and DPF investment contract liabilities are recognised on the basis of the accounting policies that applied prior to the introduction of IFRS. As an exception, the provision for life insurance and participating investment contract liabilities have been calculated at market interest rates (instead of fixed interest) in the Netherlands since 2004. This is the first adjustment towards the fair value measurement of the insurance liabilities in IFRS 4 Phase II.

Life insurance business provisions are calculated separately for each life operation, based on local regulatory requirements and actuarial principles consistent with those applied in the Netherlands. The provisions are calculated on the basis of assumptions, and include a margin for prudence. The assumptions used in the calculations depend on the specific situation of the entities. The principal assumptions used are disclosed in note 23. Within the life insurance business provisions, explicit allowance is made for vested bonuses, including those arising contractually from unit fund valuation. Movements in provisions are taken to the income statement.

The provision in respect of guaranteed benefits for participating insurance contracts is calculated in accordance with prevailing actuarial principles, using a deterministic approach and a prudent set of valuation assumptions.

Changes in accounting policies

From 1 January 2006, OHRA Life and NSF Life have used market interest rates to calculate the insurance liabilities under several supplementary products. This primarily relates to specific types of capital sum insurance policies and funeral expenses policies with a participating feature. The comparative figures have been adjusted accordingly. The impact on the result and equity is explained in the accounting policies, the consolidated statement of movement in equity and in note 23.

Delta Lloyd Life NV Belgium has, since 1 January 2006, calculated its liabilities under life insurance contracts and participating investment contracts at market interest rates (instead of fixed interest rates). Bond and equity investments are measured at fair value through profit or loss. In 2005, these assets were designated as available for sale, with unrealised gains or losses being taken to equity.

Given the nature of Belgian insurance contracts, this change in accounting policies includes equity securities. The participating feature requires changes in the market value of all bond and equity investments to be charged to technical provisions in full. The change in accounting policies does not affect profit or equity. Instead, it merely involves the reclassification of investments in both the balance sheet and the income statement.

The calculation of insurance liabilities at market interest rates has not affected the amounts provided.

Liability adequacy test

IFRS 4 requires a liability adequacy test to be incorporated at each reporting date so that losses do not remain unrecognised; Delta Lloyd Group's existing accounting policies meets the following minimum requirements:

a the test considers current estimates of all contractual and related cash flows, such as claims handling costs, as well as cash flows resulting from embedded options and guarantees; and

b if the test shows that the provision is inadequate, the entire deficiency is charged to the income statement.

The test is performed on a company level for each portfolio. Both the provision for in-force contracts and the new business provision must be adequate.

General and health insurance

General insurance and health claims incurred include all losses occurring during the year, whether reported or not, as well as related handling costs, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years. Movements in provisions are taken to the income statement.

(i) Outstanding claims provisions

Outstanding claims provisions for general insurance and health are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs. Significant delays are experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, including the insurance of environmental and pollution exposures. The ultimate cost cannot be known with certainty at the balance sheet date. Anticipated benefit payments as a result of disability claims are discounted, using either a fixed rate of three or four percent or the current swap curve. Any estimate represents a determination within a range of possible outcomes. Further details of estimation techniques used are given in note 23.

Outstanding claims provisions are valued net of an allowance for expected future recoveries. Recoveries include assets that have been acquired by exercising rights to salvage and subrogation under the terms of insurance contracts.

Outstanding claims provisions include ‘claims incurred but not reported’ (IBNR) and claims handling costs. For health insurance the IBNR provision also covers future costs for policyholders living outside the Netherlands with chronic diseases.

Claims handling costs include all costs in connection with the settlement or payment of claims, and are recognised in the income statement when the claims to which the costs relate are recognised in the income statement. This includes costs such as legal fees, doctors' fees, loss adjusters' fees, and internal and external claims handling costs. Related costs also include costs that cannot be associated with specific claims, but are related to claims paid or in the process of settlement, such as internal costs of the claims functions and a proportion of overheads.

Outstanding claims provisions include a margin for prudence. According to the guidelines of Delta Lloyd Group, this margin should have an adequacy level of at least 90% for general insurance contracts (excluding disability contracts).

(ii) Provision for unearned premiums

The proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods is deferred in a provision for unearned premiums. The change in this provision is taken to the income statement during the risk period in question to ensure that the premium reflects the insured risk throughout the policy period.

(iii) Provision for unexpired risks

A provision for unexpired risk is included when the provision for unearned premiums is deemed inadequate.

(iv) Other premium provision

For health insurance business relating to policyholders living outside the Netherlands so-called "ageing" provisions are held to cover the expected shortfall between future claims and future premiums in accordance with local regulations.

(v) Liability adequacy test

Every six months Delta Lloyd Group carries out a liability adequacy test on any overall excess of expected claims and capitalised acquisition costs over unearned premiums, using the current estimates of future cash flows under its contracts after taking account of the investment return expected to arise on assets relating to the relevant general business provisions. If these estimates show that the carrying amount of its insurance liabilities (less related capitalised acquisition costs and acquired value in force / AVIF) is insufficient, Delta Lloyd Group forms an additional provision in the income statement.

(vi) Salvage and subrogation

Some insurance contracts allow Delta Lloyd Group to sell property (usually damaged) when settling a claim (e.g. salvage). Delta Lloyd Group may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation).

Estimates of salvage are implicitly included as an allowance in the measurement of the insurance liability for claims. Subrogation reimbursements are also considered an allowance in the measurement of the insurance liability.

For disclosure purposes these reimbursements have been estimated. This estimated reimbursement is reflected in note 23 “Change in insurance liabilities” as recoveries on claims payments.

Other assessments and levies

Delta Lloyd Group is subject to various periodic insurance-related assessments or guarantee fund levies. Related provisions are established when there is a present obligation (legal or constructive) resulting from a past event. Such amounts are not included within insurance liabilities but are disclosed under “Pension obligations and other provisions” in the balance sheet.

3.1.1.13 (M) Non-DPF investment contracts

Provisions

Liabilities for non-participating investment contracts are measured at amortised cost, with the exception of unit-linked liabilities. Liabilities under unit-linked contracts are measured at fair value as this eliminates the accounting mismatch that arises if assets and liabilities, and gains or losses thereon, are measured on the basis of different accounting policies. The fair value liability is initially established through the use of prospective discounted cash-flow techniques. For unit-linked contracts, the fair value liability equals the fair unit fund value, plus additional non-unit-linked provisions, if required on a fair value basis. The costs to be attributed to these contracts arising from the addition of interest to the liability were deducted from investment returns.

Amortised cost is calculated as the fair value of the consideration received at the date of initial recognition, less the net effect of initial payments such as transaction costs and front-end fees. During subsequent periods, the cumulative amortisation (using the effective interest rate method) of any difference between that initial amount and the maturity value is either added or deducted, less any write-down for surrender payments. The effective interest rate is the rate at which the discounted cash payments are equal to the initial amount. At each reporting date, the amortised cost provision is determined as the estimated value of future cash flows discounted at the effective interest rate.

3.1.1.14 (N) Reinsurance

Delta Lloyd Group assumes and cedes reinsurance in the normal course of business, with retention limits varying by type of insurance contract. Reinsurance assets assumed are recognised in the same way as direct business, taking into account the product classification of the reinsured business. The cost of reinsurance related to insurance contracts is accounted for over the life of the underlying reinsured policies, using assumptions consistent with those used to account for the original policies.

Reinsurance assets primarily include balances due from reinsurance companies on ceded reinsurance. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract.

If a reinsurance asset is impaired, Delta Lloyd Group reduces the carrying amount accordingly and recognises that impairment loss in the income statement. A reinsurance asset is impaired if there is objective evidence, resulting from an event that occurred after initial recognition of the reinsurance asset, that indicates that Delta Lloyd Group may not receive all amounts receivable under the terms of the contract, and if the impairment can be measured reliably.

Delta Lloyd Group only reinsures its contracts with reinsurance companies that are rated and/or whose creditworthiness is approved by the group reinsurance credit committee. For contracts with a long duration, such as life, disability or liability reinsurance, a double A rating is required as a minimum. For short-term reinsurance a lower rating may be acceptable.

Reinsurance expenses represent the commissions paid to reinsurers.

3.1.1.15 (O) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Delta Lloyd Group's share of net assets of the acquired subsidiary at the date of acquisition.

The carrying amount of goodwill for each cash generating unit, or combination of cash generating units, is reviewed annually, or more often when circumstances or events point to possible impairment. Goodwill is written down for impairment where the recoverable amount is insufficient to support its carrying value.

Within the context of this review, the recoverable amount is defined as the discounted value of the expected future profit flows generated by the cash generating unit (value in use) and the fair value, less selling expenses.

Further details on goodwill allocation and impairment testing are given in note 10.

Acquired value of in-force business (AVIF)

The present value of future profits on a portfolio of insurance and (discretionary) participating investment contracts acquired, either directly or through the purchase of a subsidiary, is recognised as an intangible asset. In all cases, the AVIF is amortised over the useful life of the related contracts in the portfolio on a systematic basis. Amortisation is based on the profile of the additional value of in-force business acquired and the expected resultant depletion in its value pursuant thereto. The value of the acquired in-force insurance business is reviewed annually for any impairment in value and any reductions are charged as expenses to the income statement. The measurement of the AVIF is based on the development of the corresponding insurance liability.

Other intangible assets

Other intangibles include software and customer relationships and distribution channels valued in relation to an acquisition. Their initial recognition on acquisition takes place at fair value (cost). During subsequent periods they are recognised at cost net of amortisation and impairment. Both purchased software and internally developed software projects are included. The latter, however, only qualifies for recognition when certain conditions as described in IAS 38 *Intangible assets* have been met. Purchased and proprietary software is amortised using a straight-line method over their useful lives, with a maximum of three years. The amortisation charge is included in the income statement under“Other operating expenses”.

Customer relationships and access to distribution channels, when acquired in a business combination, are capitalised when the definition of an intangible asset is met and the fair value can be measured reliably. Customer relationships gained through the acquisition of ABN AMRO Verzekeringen in the Netherlands and Bank Nagelmackers in Belgium (up to the end of 2005) are capitalised and amortised in three and five years respectively.

On the acquisition of ABN AMRO Verzekeringen the access to the ABN AMRO distribution channel was separately identified as an intangible asset which is amortised over 30 years. This represents the duration of the agreement with ABN AMRO Bank.

Amortisation periods for AVIF and other intangible assets are reviewed once a year. If the estimated values deviate from previous estimates, the amortisation period is adjusted.

3.1.1.16 (P) Property and equipment

Owner-occupied properties are carried at their historical cost less accumulated depreciation and impairment. The historical cost of assets that take longer to develop, and owner-occupied properties in particular, also includes capitalised borrowing costs. When such properties are sold, the difference between the carrying value and the sales price is included in profit or loss for the period in which the properties are sold. All other items classed as equipment within the balance sheet are carried at historical cost less accumulated depreciation.

Investment properties under construction are included within property and equipment until completion, and are stated at cost less any provision for impairment.

Depreciation is calculated using the straight line method to write down the cost of other assets to their residual values over their estimated useful lives as follows:

Land	No depreciation
Properties (own use)	40 years
Properties under construction	No depreciation
Motor vehicles	4 years
Computer equipment	4 years
Furniture, fixtures	5 years

In case an asset consists of different ‘components’ with different useful lives and/or different residual values, the asset is broken down into these components, which are then depreciated on a separate basis.

The useful life and residual value are reviewed once a year. If the estimated values deviate from previous estimates, adjustments are made.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the impairment is taken to the income statement. Gains and losses on disposal of property and equipment, representing the difference between the sales price and the carrying value, are taken to the income statement.

Repairs and maintenance are charged to the income statement during the financial period to which they relate. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing asset will flow to Delta Lloyd Group and the renovation replaces an identifiable part of the asset. Major renovations are depreciated over the remaining useful life of the related asset.

3.1.1.17 (Q) Investment property

Investment property is held for long-term rental yields and is not occupied by Delta Lloyd Group. Investment property is stated at its fair value, which is supported by market evidence, as assessed by qualified external valuers. Changes in fair value are recorded in the income statement within net investment income.

3.1.1.18 (R) Impairment of non-financial assets

Property and equipment and other non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. The selling price is the fair value less selling expenses. The value in use is the discounted value of the expected future cash flows generated by the asset in question. The assessment as to whether an impairment has occurred takes place at the level of the separate asset or the smallest identifiable cash flow-generating entity. The recoverability review of the carrying amount of goodwill is performed at least once a year. See accounting policy (O). For the purpose of assessing the existence of impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

3.1.1.19 (S) Derecognition and offset of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the company has transferred its rights to receive cash flows from the asset and either
  (a) has transferred substantially all the risks and rewards of the asset, or
  (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

3.1.1.20 (T) Financial investments

Delta Lloyd Group classifies its investments as either financial assets at fair value through profit or loss (FV), available-for-sale financial assets (AFS), or loans and receivables (see accounting policy V). The classification depends on the purpose for which the investments were acquired, and is determined by Delta Lloyd Group at initial recognition. In general, the FV category is used where this eliminates an accounting mismatch. An accounting mismatch is deemed to exist for insurance contracts where the insurance liability is measured using market-based interest rates. Several securitised mortgages, the derivatives and related liabilities are managed on the basis of fair value. Delta Lloyd Group also evaluates their performance on the basis of fair value, in line with its risk strategy. The relevant assets are equally classified in this category. The fair value is determined on the basis of the current swap curve, while the probability of early repayment is set at 7%. Details of securitised mortgages are given in note 17.

The FV category has two sub-categories – those that meet the definition as being held for trading and those Delta Lloyd Group chooses to designate as FV at initial recognition (referred to in this accounting policy as 'other than trading’). A number of investments held by the entities in Delta Lloyd Banking are classified in the held for trading category, as well as the derivatives.

Purchases and sales of investments are recognised at fair value plus transaction costs when the trade occurs; i.e., on the date on which Delta Lloyd Group commits to purchase or sell the assets. In case of purchases, the fair value includes transaction costs. In case of sales, transaction costs are deducted. Debt securities and other fixed income investments are initially measured at fair value including transactions costs. For the purpose of the appropriation of the interest amounts in the income statement the amortised cost is set annually. Subsequently, the difference between the initial value and future repayment is charged or credited to the income statement in amortisation, using the effective interest rate method. The initial amortised cost is calculated as the fair value including transactions costs.

Investments classified as trading, other than trading and AFS are subsequently carried at fair value. Changes in the fair value of trading and other than trading investments are included in the income statement in the period in which they arise. Changes in the fair value of securities classified as AFS, except for impairment losses and relevant foreign exchange gains and losses, are recorded in a specific investment valuation reserve within equity.

The fair values of investments are based on quoted bid prices or amounts derived from cash flow models. Fair values for unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios defined to reflect the specific circumstances of the issuer. Differences between the fair values and market values of financial assets thus calculated are negligible. Likewise, unrecognised differences between the market value and fair value at the first and last day of the reporting period are negligible. Preference shares are measured using the discounted cash flow method. The discount rate applied is the market interest rate based on the 10-year government bond yield; where necessary, this rate is increased by a bad debt risk margin. When securities classified as AFS are sold or impaired, the accumulated fair value adjustments are transferred out of the investment valuation reserve to the income statement.

Impairment

Delta Lloyd Group reviews the carrying value of its investments on a regular basis. If the carrying value of an investment is greater than the recoverable amount for a prolonged period, the carrying value is reduced through a charge to the income statement in the period of decline. The following policies are used to determine the level of any impairment:

(a) Financial assets carried at amortised cost

A financial asset or a group of financial assets is considered to be impaired when there is objective evidence of impairment as a result of events occurring after the date of the initial recognition (a 'loss event'), and when that event has an impact on the estimated future cash flows. Objective evidence that a financial asset or a group of assets is impaired includes observable data that comes to the attention of Delta Lloyd Group about the following loss events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or repeated delinquency in payment of interest or principal;
- the lender entering bankruptcy or a financial reorganisation;
- the disappearance of an active market for that specific asset because of financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
- adverse changes in the payment status of borrowers in the Group;
- national or economic conditions that correlate with defaults on the assets in the Group.

Delta Lloyd Group first assesses whether objective evidence of impairments exists for financial assets that are individually significant. If Delta Lloyd Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses these for impairment. Assets that are individually assessed for impairment and for which an impairment loss is recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has occurred on loans and receivables carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the future estimated cash flows discounted at the financial asset's original effective interest rate. Future credit losses that have been incurred are not taken into account. The impairment is recognised in the income statement. If a financial investment has a variable interest rate, the discount rate for measuring the impairment loss is the current effective interest rate determined in the contract. Delta Lloyd Group can measure the impairment by using the fair value as a practical guideline.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related to an event occurring after the impairment was recognised, the previously recognised impairment is reversed and added to the income statement.

(b) Financial assets carried at fair value

Delta Lloyd Group assesses at each balance sheet date whether objective evidence exists that an AFS financial asset is impaired. In the case of equity instruments classified as AFS this means a significant or prolonged decline in the fair value of the security below its cost. If such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value (excluding previously recognised impairment losses) is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the recognition of the impairment loss, the impairment is reversed through the income statement. Impairment losses on equity securities cannot subsequently be reversed via the income statement.

Financial assets carried at fair value with changes in the fair value recognised in the profit or loss are not subject to impairment testing. The fair value of these assets already reflects possible impairments.

3.1.1.21 (U) Derivative financial instruments

Derivative financial instruments include foreign exchange contracts, interest rate futures, currency and interest rate swaps, currency and interest rate options (both written and purchased), swaptions, and other financial instruments that derive their value mainly from underlying interest rates, foreign exchange rates, commodity values or equity instruments. All derivatives are initially recognised in the balance sheet at their fair value, which usually represents their cost. They are subsequently re-measured at their fair value, recognising movements in this value in profit or loss. Fair values are obtained from quoted market prices or, if these are not available, by using valuation techniques such as discounted cash flow models or option pricing models. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative. Premiums paid for derivatives are recorded as an asset on the balance sheet at the date of purchase, representing their fair value at that date.

Derivative contracts may be traded on an exchange or over-the-counter (OTC). Exchange-traded derivatives are standardised and include certain futures and option contracts. OTC derivative contracts are individually negotiated between contracting parties and include forwards, swaps, caps and floors. Derivatives are subject to various risks including market, liquidity and credit risk, similar to those related to the underlying financial instruments.

The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities on the balance sheet as they do not represent the potential gain or loss associated with such transactions. These amounts are disclosed in note 36.

Delta Lloyd Group does not apply hedge accounting under IAS 39 to eliminate hedging gains and losses.

3.1.1.22 (V) Loans and receivables

Loans and receivables with fixed maturities, including policyholder loans, issued loans, mortgage loans, securitised mortgages and loans, are recognised when cash is advanced to borrowers. These loans, excluding certain mortgages, which are described below, are initially carried at their fair value. Subsequent valuation is based on amortised cost, using the effective interest rate method. To the extent that loans and receivables are not collectible, they are written off as impaired. Subsequent recoveries are credited to the income statement.

The recognition of impairment losses on loans is explained under (a) of accounting policy T.

3.1.1.23 (W) Capitalised acquisition costs

The costs directly attributable to the acquisition of new business for insurance and participating investment contracts are capitalised provided these costs are covered by future margins on these contracts. For non-participating investment contracts and investment fund management contracts, incremental acquisition costs and sales enhancements that are directly attributable to securing investment management services, are also capitalised.

Life insurance business capitalised acquisition costs are amortised systematically over a period no longer than the period in which they are expected to be recovered out of these margins. Deferrable acquisition costs for investment management services in relation to non-participating investment contracts are amortised over the period in which the service is provided. General insurance and health capitalised acquisition costs are amortised over the period in which the related revenues are earned. The reinsurers' share of capitalised acquisition costs is amortised consistent with the underlying asset.

Capitalised acquisition costs are reviewed by category of business at the end of each reporting period and are written off where they are no longer considered to be recoverable.

3.1.1.24 (X) Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and in hand, deposits held at call with banks, treasury bills and other short-term highly liquid investments with less than 90 days maturity from the date of acquisition. For the purposes of the cash flow statement, cash and cash equivalents also include bank overdrafts, which are included within payables and other financial liabilities on the balance sheet.

3.1.1.25 (Y) Borrowings

Borrowings are recognised initially at their issue proceeds less transaction costs incurred. Subsequently, borrowings are stated at amortised cost, and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Notes issued by Delta Lloyd Levensverzekeringen NV and Delta Lloyd Bank Belgium in relation to securitised mortgage loans are recognised at amortised cost. Amstelhuys NV recognises these notes at fair value through profit or loss, even though they were initially recognised as loans and receivables under IAS 39. The total of the financial assets and financial liabilities relating to securitised mortgages is managed on the basis of fair value, and their performance is also evaluated on the basis of fair value. This means that the *Fair Value Option* under IAS 39 is applied. These notes are restated to fair value through profit or loss at each period end, using the actual three-month EURIBOR rates. Differences between the fair values and market values thus calculated are negligible. Details of the notes are given in note 30.

As explained in note 30, the fair value of borrowings is calculated on the basis of future cash flows discounted at a market interest rate.

3.1.1.26 (Z) Share capital

Share issue costs

External costs directly attributable to and resulting from the issue of new shares, are shown in equity as a deduction, net of tax, from the proceeds.

Reserves

Reserves consist of the share premium account, the revaluation reserve and other reserves. The share premium account includes calls paid on shares in excess of the face value. The revaluation reserve only comprises the revaluation of AFS investments, including value changes taken to equity less deferred tax liabilities and less any part of the revaluation allocated to the DPF provision.

Dividend available for distribution

Dividend available for distribution on ordinary shares is recognised in equity in the period in which they are declared and, for the final dividend, approved by shareholders. Dividend available for distribution on preference shares is recognised in the income statement as interest cost or taken to equity in the period in which they are declared and approved, dependent on the classification of the financial instruments.

3.1.1.27 (AA) Leases

Leases, where a significant portion of the risks and rewards of ownership is retained by the lessor, are recognised as operating leases. Payments made as lessees under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

There are no material finance leases affecting Delta Lloyd Group as either lessor or lessee.

3.1.1.28 (AB) Provisions and contingent liabilities

Provisions are recognised when Delta Lloyd Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the scope of the obligation can be made. If Delta Lloyd Group deems it virtually certain that a provision will be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset.

The reorganisation provisions include redundancy payments to employees and the cost of non-cancellable rental commitments.

Delta Lloyd Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

Liabilities that do not meet the criteria for recognition as outlined above are disclosed as contingent liabilities in the notes, unless the possibility of an outflow of economic benefits is deemed to be remote.

3.1.1.29 (AC) Employee benefits

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service bonuses accumulated up to the balance sheet date.

Pension obligations

Delta Lloyd Group operates a number of defined benefit as well as defined contribution plans in all countries in which it operates, the assets of which are generally held in separate funds. The pension plans are generally funded by payments from employees and by the relevant subsidiaries, taking account of the recommendations of qualified actuaries.

For defined benefit plans, the pension costs and obligations are assessed using the projected unit credit method**.** Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees, in accordance with actuarial calculations. The pension obligation is measured as the present value of the estimated future outflows using a discount rate based on market yields for high-quality corporate bonds. Plan assets at fair value are deducted from pension obligations. The resulting pension scheme surplus or deficit appears as an asset or obligation in the consolidated balance sheet, reflecting the extent to which repayments can be expected. Plan assets are assets held by a fund that is legally separated from Delta Lloyd Group, with the exception of non-transferable financial instruments issued by the Group. These plan assets may only be used to pay employee benefits; they may not be used to meet any other obligations of the Group. Delta Lloyd Group has opted to use the ‘corridor approach' under IAS 19, with the result that the actuarial gains and losses falling within the limits of the corridor are not recognised in the income statement. The actuarial gains and losses falling outside the limits of the corridor are recognised in the income statement over the remaining working lives of the participants in the pension scheme.

For defined contribution plans, Delta Lloyd Group pays contributions to collectively or individually administered pension plans. Once the contributions have been paid, Delta Lloyd Group, as employer, has no further payment obligations. Delta Lloyd Group's contributions are charged to the income statement.

In the Netherlands the Delta Lloyd pension fund has reinsured its pension obligations with Delta Lloyd Levensverzekering, a subsidiary, as a result the related investments do not qualify as plan assets. To avoid an overstatement of the assets and the liabilities, the insurance liabilities and the associated cash flows are eliminated. See note 29 for details.

Other employee benefits

Some subsidiaries offer retirees or their surviving dependants certain benefits on reaching retirement age. The entitlement is usually paid in the form of compensation of social security contributions. Delta Lloyd Group additionally offers long-service bonuses, leave schemes for senior employees and early retirement schemes. Following the introduction of the Health Insurance Act in the Netherlands in early 2006, the partial compensation of health insurance premium payments for retired employees has been discontinued.

Equity compensation plans

All equity compensation plans in effect at Delta Lloyd Group are administered by Aviva plc, the parent company, and based on Aviva plc shares. The options granted can be exercised during a three-year period after the date of grant. The exercise price depends on the increase in value of the Aviva plc shares relative to a group of peer companies. The exercise period is a maximum of five years after the date of vesting. All costs relating to these plans are borne by Aviva. This plan terminated at the end of 2003. Issued options remain valid after termination of the plan.

Delta Lloyd Group has operated a Phantom Option Plan since 2004. Under this plan phantom options are annually granted on a conditional basis to certain staff members and the management of Delta

Lloyd Group. An initial payment is not required. A phantom option entitles the holder to receive in cash the increase in value of a 'performance unit' measured from the date of grant until the date of exercise. Subject to the fulfilment of the set performance criteria, the phantom options will vest at the end of the performance period. The vesting date is exactly three years after the date of grant of the options. The performance unit is the 'basis' of the phantom option. The holder is entitled to the increase in value of the performance unit. The exercise period is five years from the vesting date. The number of options granted that will vest depends on the relative growth of the performance unit, which is determined on the basis of the embedded value of Delta Lloyd Group compared to peer companies.

A provision is included for the costs that are expected to be incurred in relation to this Plan. This provision is determined on the basis of the number of issued options multiplied by the expected probability of vesting and the expected exercise price. The provision is formed during a period of three years and is charged to income, assuming a discount rate of 4% and an expected increase in the phantom option price of 7%. Staff turnover is also taken into account.

3.1.1.30 (AD) Income taxes

The tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years. Tax is allocated over the result before taxation and amounts charged or credited to reserves, as appropriate.

Provision is made for deferred tax liabilities and deferred tax assets on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The principal temporary differences arise from depreciation of property and equipment, revaluation of certain financial assets and liabilities, including derivative and insurance contract liabilities, provisions for pensions, other post-retirement benefits and tax losses carried forward. The rates enacted or substantially enacted at the balance sheet date are used to determine the deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be compensated.

Deferred taxes are not provided in respect of temporary differences arising from the initial recognition of goodwill, or from goodwill for which amortisation is not deductible for tax purposes, or from the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting profit nor taxable profit or loss at the time of the transaction.

Deferred tax related to fair value re-measurement of AFS investments and other amounts taken directly to equity is recognised in the balance sheet as a deferred tax asset or liability.

3.1.1.31 (AE) Discontinued operations or those held for sale

Assets held for disposal as part of operations which are discontinued or held for sale are recorded at the lower of their carrying amount and their fair value, less the estimated cost to sell the assets.

3.1.2 Consolidated income statement

Consolidated income statement for the year ending 31 December

In millions of euros	2006	2005
Income (5)		
Gross written premiums (F, 5)	5,815.3	5,716.9
Outward reinsurance premiums (5)	-180.5	-191.3
Net written premiums	**5,634.8**	**5,525.6**
Change in unearned premiums provision	-4.7	9.3
Net premiums earned (F, 4, 5)	**5,630.1**	**5,535.0**
Fee and commission income (G, H, 5)	328.7	306.2
Gross investment income (5)	2,127.6	3,351.2
Share of profit or loss after tax of associates (C , 5)	2.9	-3.5
Investment income (I, 5)	**2,130.5**	**3,347.7**
Result on disposal of subsidiaries (2)	0.0	14.5
Other operating income (5)	107.0	95.9
Total investment and other income (4, 5)	**2,566.2**	**3,764.3**
Total income (4, 5)	**8,196.3**	**9,299.3**
Expenses (6)		
Net claims and benefits paid (6)	4,485.2	3,397.6
Change in insurance liabilities (including liabilities for participating investment contracts) (6)	633.1	3,522.7
Profit sharing and discounts	89.5	45.2
Change in other provisions	-4.5	9.3
Expenses relating to the acquisition of insurance and investment contracts	597.4	609.6
Expenses relating to the acquisition of other contracts	54.8	63.1
Other operating expenses (6)	916.2	680.8
Finance costs (6)	579.6	419.5
Total expenses	**7,351.3**	**8,747.7**
Result before tax (4, 5)	**845.0**	**551.6**
Current tax (AD, 9)	134.3	120.0
Net result	**710.7**	**431.6**
Attributable to:		
Equity	676.3	409.1
Minority interests	34.4	22.6
Net result	**710.7**	**431.6**

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

3.1.3 Consolidated balance sheet

Consolidated balance sheet at year end 31 December

In millions of euros	2006	2005
Assets		
Goodwill (O, 10)	162.5	157.5
Avif and other intangible fixed assets (O, 11)	171.2	178.2
Capitalised acquisition costs (W, 19)	205.9	199.3
Property and equipment (P, 12)	246.3	232.6
Investment property (Q, 13)	2,025.2	1,688.4
Investments in associates (C, 14)	39.4	32.4
Debt securities (T, 15)	21,854.4	22,376.0
Equity securities (T, 15)	12,205.2	10,920.8
Derivatives (U, 36)	200.4	106.2
Mortgage loans at fair value through profit or loss (V, 15)	5,120.2	4,514.7
Other loans and receivables (V, 16)	11,660.8	11,517.5
Reinsurance assets (H, 24)	1,356.2	1,369.8
Plan assets (AC, 29)	7.2	5.2
Deferred tax assets (AD, 27)	11.9	15.8
Current tax assets	24.9	10.1
Other assets (19)	83.8	79.9
Receivables and other financial assets (A, 18)	2,528.2	1,594.6
Capitalised interest and prepayments made	593.7	582.4
Cash and cash equivalents (X)	1,100.1	1,502.6
Total assets	**59,597.6**	**57,084.0**
Capital and reserves		
Share capital (Z, 20)	107.1	107.1
Ordinary share premiums	91.8	91.8
Revaluation reserves (21)	1,505.4	1,242.2
Retained earnings (22)	2,901.4	2,333.0
Total capital and reserves	**4,605.7**	**3,774.1**
Minority interests	199.7	171.9
Equity	**4,805.4**	**3,946.0**
Liabilities		
Insurance liabilities (L, 23)	31,130.8	30,586.7
Expenses attributed to investment contract liabilities (K, M, 25)	2,721.1	2,389.4
Pension obligations (AC, 28, 29)	1,305.6	1,257.5
Provisions for other liabilities (AB, 28)	107.7	92.3
Deferred tax liabilities (AD, 27)	153.9	156.3
Current tax liabilities	323.8	303.5
Borrowing (Y, 30)	9,074.4	7,761.2
Derivatives (U, 36)	116.2	174.0
Financial liabilities (31)	5,975.8	6,463.1
Other liabilities (32)	3,882.9	3,954.0
Total liabilities	**54,792.2**	**53,138.1**
Total equity and liabilities	**59,597.6**	**57,084.0**

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

3.1.4 Consolidated statement of changes in equity

Consolidated statement of changes in equity

In millions of euros	Ordinary share capital	Preference shares	Ordinary share premiums	Revaluation reserves	Retained earnings	Total capital and reserves	Minority interests	Total equity
At 1 January 2005	**29.9**	**77.1**	**91.8**	**606.1**	**1,991.2**	**2,796.2**	**151.1**	**2,947.3**
Adjustments for previous periods relating the consolidation of investment funds	-	-	-	-18.4	18.4	-	2.3	2.3
Adjustments for change in accounting policy OHRA	-	-	-	-	-3.4	-3.4	-2.3	-5.6
Restated opening balance 2005	**29.9**	**77.1**	**91.8**	**587.7**	**2,006.2**	**2,792.8**	**151.1**	**2,943.9**
Gross fair value gains and losses	-	-	-	807.8	-	807.8	-2.3	805.5
Transfer available-for-sale equity relating to DPF contracts	-	-	-	-43.1	-	-43.1	-	-43.1
Net fair value gains and losses	**-**	**-**	**-**	**764.7**	**-**	**764.7**	**-2.3**	**762.4**
Fair value gains and losses transferred to income	-	-	-	-59.1	-	-59.1	-	-59.1
Reversal of impairment losses taken to equity	-	-	-	1.8	-	1.8	-	1.8
Foreign exchange differences	-	-	-	0.6	-	0.6	-	0.6
Aggregate tax effect	-	-	-	-53.5	-	-53.5	0.5	-52.9
Net gains and losses not recognised in income statement	**-**	**-**	**-**	**654.5**	**-**	**654.5**	**-1.7**	**652.8**
Result for the year	-	-	-	-	409.1	409.1	22.6	431.6
Total income and expenses	**-**	**-**	**-**	**-**	**409.1**	**1,063.5**	**20.8**	**1,084.4**
Aggregate tax effect								
Dividends	-	-	-	-	-82.3	-82.3	-0.0	-82.3
Issue of share capital net of transaction costs	-	-	-0.0	-	-	-0.0	-	-0.0
At 31 December 2005	**29.9**	**77.1**	**91.8**	**1,242.2**	**2,333.0**	**3,774.1**	**171.9**	**3,946.0**
Gross fair value gains and losses	-	-	-	528.3	-	528.3	-5.6	522.8
Transfer available-for-sale equity relating to DPF contracts	-	-	-	26.6	-	26.6	-	26.6
Fair value gains and losses transferred to income	-	-	-	-281.3	-	-281.3	-	-281.3
Foreign exchange differences	-	-	-	0.4	-	0.4	0.0	0.4
Aggregate tax effect	-	-	-	-10.7	-	-10.7	-0.9	-11.6
Net gains and losses not recognised in income statement	**-**	**-**	**-**	**263.2**	**-**	**263.2**	**-6.5**	**256.7**
Result for the year	-	-	-	-	676.3	676.3	34.3	710.6
Total income and expenses	**-**	**-**	**-**	**263.2**	**676.3**	**939.5**	**27.9**	**967.4**
Dividends	-	-	-	-	-107.9	-107.9	-0.0	-107.9
Issue of share capital net of transaction costs	-	-	-	-	-	-	-	-
At 31 December 2006	**29.9**	**77.1**	**91.8**	**1,505.4**	**2,901.4**	**4,605.7**	**199.7**	**4,805.4**

A dividend of € 107.9 million was paid. The dividend per ordinary share amounted to € 31.77, the dividend per preference share was €18.02.

Of the shareholders' equity, € 617.4 million is available for distribution (2005: € 419.1 million).

In accordance with article 35 of the Articles of Association, a dividend of € 173.9 million is proposed for 2006 (2005: € 107.9 million). The distribution amounts to € 51.77 (2005: € 31.77) per ordinary share with a face value of € 9.08, and to € 18.02 (2005: € 18.02) per preference share B with a face value of € 453.78.

Net fair value gains or losses relate to unrealised fair value gains or losses on financial assets held for sale.

The impact of the changes in accounting policies on the result after taxation at OHRA Life and NSF Life was a gain of € 8.4 million (2005: € 11.9 million). The impact on equity in the opening balance sheet was a loss of € 3.4 million. The changes in accounting policies at Delta Lloyd Life (Belgium) did not affect Group result or equity (see accounting policy L).

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

3.1.5 Consolidated cash flow statement

Consolidated cash flow statement for the year ending 31 December

In millions of euros	2006	2005
Cash flow from operating activities		
Net result	**710.7**	**431.6**
Adjustments for:		
Share of profit or loss after tax of associates	2.9	3.5
Dividends received from associates	0.8	-0.0
Result on sale of investment property	-20.8	-15.2
Result on sale of property and equipment	-	1.4
Result on sale of investments	-143.9	-654.5
Fair value gains and losses on investment property	-84.8	-23.1
Fair value gains and losses on investments	-135.2	-939.6
Recognition of impairment losses	-12.8	20.5
Depreciation on property and equipment	22.2	35.8
Impairment of goodwill on subsidiaries	9.5	5.3
Impairments on property and equipment	-	0.5
Impairments on intangible fixed assets	4.7	0.5
Amortisation of discounts or premiums on debt securities	28.2	22.3
Amortisation of discounts or premiums on loans	-34.4	-29.4
Amortisation of Acquired Value In Force	7.4	7.1
Amortisation of intangible fixed assets	20.8	30.1
Foreign currency exchange result	-0.1	0.5
Other	3.6	19.6
Total adjustments	**-331.9**	**-1,514.5**
Changes in working capital		
Reinsurance assets	13.6	-44.6
Movement in capitalised acquisition costs	-10.5	20.8
Movement in receivables and other financial assets	-933.6	-206.8
Movement in prepayments and accrued income	-11.3	-40.7
Movement in other assets	-	-3.6
Insurance liabilities	544.1	2,585.1
Expenses attributed to investment contract liabilities	331.7	621.9
Movement in pension obligations	48.1	12.8
Change in other provisions	15.4	10.5
Movement in payables and other financial liabilities	-558.4	1,811.9
Movement in taxation assets / liabilities	5.5	205.2
Net purchases of operating assets		
Investment property	-252.2	15.0
Financial investments	-1,172.6	-4,879.6
Total changes in working capital	**-1,980.2**	**107.9**
Total cash flow from operating activities	**-1,601.4**	**-975.0**
Cash flow from investing activities		
Investment in property and equipment	-13.7	6.3
Investment in intangible fixed assets	2.0	-21.4
Proceeds on the disposal of interests in subsidiaries and associates	-	-0.3
Total cash flow from investing activities	**-11.6**	**-15.4**
Cash flow from financing activities		
Repayments of borrowing	-1,164.8	-687.1
Proceeds from borrowing	2,483.3	2,248.8
Dividends paid to shareholders	-107.9	-82.3
Total cash flow from financing activities	**1,210.6**	**1,479.4**
Net increase or decrease in cash and bank overdrafts	**-402.4**	**489.0**
Movement in cash and cash equivalents through the year		
Cash and banks at beginning of year	**1,502.6**	**1,013.5**

Changes in Group	95.5	-
Gross increase or decrease in cash and bank overdrafts	-497.9	489.0
Net increase or decrease in cash and bank overdrafts	**-402.4**	**-**
Cash and bank overdrafts at end of year	**1,100.1**	**1,502.6**
The cash flow from operating activities includes the following items:		
Interest received	1,472.8	1,329.5
Interest paid	-423.7	-397.3
Dividends received	336.8	279.3
Corporation tax paid	-150.0	-24.7

Delta Lloyd Group did not dispose of any participating interests during 2006. The balance of cash and cash equivalents held by participating interest on the disposal date amounts to € 95.5 million.

The consolidated cash flow statement is drawn up in accordance with the indirect method. A distinction is made between cash flows from operating, investing and financing activities. Cash flows arising from dividends, interest income and the purchase and sale of financial investments are classified as operating activities since they relate to the core activities of Delta Lloyd Group.

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

3.1.6 Notes to the consolidated financial statements

3.1.6.1 (1) Exchange rates

Delta Lloyd Group's operations are almost entirely carried out in the euro zone. The only significant foreign operations outside this area are Ennia in the Netherlands Antilles and Curacao (until 29 December 2005). The results and cash flows of these operations in Antillean Guilders have been translated into euros at the average rate for 2005 of € = ANG 2.2269 and their assets and liabilities have been translated at the year-end 2005 rate of € = ANG 2.1117.

The total currency results led to a loss of € 7.2 million in 2006 (2005: € 0.5 million loss) that was taken to the income statement.

3.1.6.2 (2) Subsidiary undertakings

(a) Acquisitions during the financial year

Acquisition of Delta Lloyd Ziekenfondsactiviteiten

Following the introduction of the new Health Insurance Act, OHRA NV acquired the activities of O.W.M. Delta Lloyd and OHRA Ziekenfonds u.a. as at 1 January 2006. These activities have been incorporated into OHRA Zorgverzekeringen NV, a newly-formed entity which is wholly-owed by OHRA NV. The acquisition price amounted to € 40,000. The difference between the fair value of assets and liabilities acquired is € 20.8 million. This amount is recognised in the income statement under other operating income as negative goodwill.

The acquisition balance sheet at 1 January 2006 is included below.

Details of the acquisition balance sheet as at 1 January 2006 are as follows:

In millions of euros	1 January 2006
Assets	
Debt securities	116.5
Equity securities	10.9
Current tax assets	4.3
Other loans and receivables	169.9
Prepayments and accrued income	3.4
Cash and cash equivalents	95.5
Liabilities	
Insurance liabilities	328.0
Borrowing	16.6
Payables and other financial liabilities	35.1

OHRA Zorgverzekeringen NV made a positive contribution of € 2.3 million to the Delta Lloyd Group result.

The balance sheet on the acquisition date was identical to the pre-acquisition balance sheet. The acquisition did not involve any intangible fixed assets or provisions.

(b) Acquisitions that occurred after the financial year had ended but before the financial statements were approved

Acquisition of Eurolloyd Nederland BV/Eurolloyd België NV

As at 1 January 2007, Delta Lloyd Schadeverzekeringen acquired all shares in Eurolloyd Nederland BV and Eurolloyd België NV, insurance intermediaries and brokers that primarily focus on the commercial insurance market. The acquisition price amounted to € 15.2 million. The acquisition balance sheet at 1 January 2007 is shown below.

The acquisition balance sheet on 1 January 2007 was as follows:

In millions of euros	1 January 2007
Assets	
Equity securities	0.1
Property and equipment	0.0
Other loans and receivables	2.8
Prepayments and accrued income	0.1
Cash and cash equivalents	2.9
Liabilities	
Prov for other risks and charges	0.0
Payables and other financial liabilities	5.8

Acquisition of Erasmus Group BV

On 8 February 2007, Delta Lloyd Group announced its intention to acquire the insurance activities of the Rotterdam-based Erasmus Group BV from its current owner, Wüstenrot & Württembergische AG in Stuttgart, Germany. The acquisition is subject to regulatory approval and as a result has not yet been finalised.

None of these transactions involved significant direct acquisition costs. Delta Lloyd Group has no plans to dispose of any part of the activities acquired.

(c) Disposals

No subsidiary undertakings were sold during the reporting period. In 2005, seven subsidiary undertakings were sold, with a total carrying value of € 30.5 million. The net gain on disposal amounted to € 14.5 million.

(d) Other information

Principal subsidiary undertakings at 31 December 2006 are disclosed in note 14 'Investments in subsidiaries and associates'.

3.1.6.3 (3) Discontinued operations

No operations were discontinued in 2006 and 2005.

3.1.6.4 (4) Segmental information

(a) Primary reporting format – business segments

The principal activity of Delta Lloyd Group is financial services, which is managed using the following reporting segments: life business, general insurance, health insurance, banking, fund management and other. All transactions between segments occur on an arm's-length basis.

Life

Life business comprises life insurance, savings, pensions and annuity business written by the life insurance subsidiaries, including managed pension fund business and the share of the other life and related business written by associates.

General

The general insurance business provides insurance cover to individuals and to small and medium-sized businesses, for risks associated mainly with motor vehicles, property, disability and liability, such as employers' liability and professional indemnity liability.

Health

The health insurance business consists of insurance for medical expenses, group health contracts for small and medium-sized entities and the basic health insurance introduced under the Health Insurance Act in 2006.

Banking

The banking division incorporates all banking activities of Delta Lloyd Group in the Netherlands, Belgium and Luxemburg.

Fund management

The fund management business invests shareholders' and policyholders' funds, provides investment management services for institutional pension fund mandates and manages a range of retail investment products, including investment funds and unit trusts.

Other

A substantial part of Delta Lloyd Group's mortgage business is included in this segment. The remainder of the mortgage activities is shown in the Life business, as these mortgages are part of the investment portfolio of life insurance companies. Overheads, such as Group finance, expenses incurred by corporate staff departments and other activities not related to the core business segments are also classified as 'Other'. Any segments that are not reportable segments due to their immateriality are also reflected in this category, together with any other reconciling items. Minority interests and taxes are not allocated among the segments.

The accounting policies of the segments are the same as those described in the section on accounting policies. Any transactions between the business segments are on normal commercial terms and market conditions.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance sheet but excluding items such as equity and tax.

Segmental income statement

In millions of euros	Life	General	Health	Bank	Fund Management	Other	Total 2006
Income							
Net premiums earned	3,055.7	1,076.7	1,497.8	-	-	-	5,630.1
Total investment and other income	1,685.8	97.7	54.7	349.2	153.9	225.0	2,566.2
Total income	**4,741.4**	**1,174.4**	**1,552.5**	**349.2**	**153.9**	**225.0**	**8,196.3**
Expenses							
Insurance and investment contract expenses	3,216.8	554.9	1,436.0	-	-	-	5,207.7
Other expenses	796.1	430.4	118.7	322.8	99.4	376.2	2,143.6
Total expenses	**4,012.9**	**985.3**	**1,554.7**	**322.8**	**99.4**	**376.2**	**7,351.3**
Segment results	**728.5**	**189.0**	**-2.2**	**26.5**	**54.5**	**-151.3**	**845.0**
Current tax							134.3
Net result after taxation before minority							**710.7**

All revenue is derived from continuing operations.

Items included in the segmental income statement

In millions of euros	Life	General	Health	Bank	Fund Management	Other	Total 2006
Depreciation	5.9	-	-	7.3	-	9.0	22.2
Amortisation	19.2	6.3	-	2.5	-	0.3	28.3
Impairment on goodwill and other intangible fixed assets	-	4.9	-	-	-	-	4.9
Impairment on doubtful debt	9.4	2.7	1.3	-	-	1.2	14.7

Revenue from transactions with other segments is negligible.

Segmental income statement for the year ending 31 December of the prior year

In millions of euros	Life	General	Health	Bank	Fund Management	Other	Total 2005
Income							
Net premiums earned	3,671.7	1,079.1	784.3	-	-	-	5,535.0
Total investment and other income	2,884.4	148.6	46.7	341.8	83.8	259.0	3,764.3
Total income	**6,556.1**	**1,227.6**	**830.9**	**341.8**	**83.8**	**259.0**	**9,299.3**
Expenses							
Insurance and investment contract expenses	5,616.5	626.8	713.4	-	-	-	6,956.7
Other expenses	704.0	372.8	86.4	306.5	37.7	283.8	1,791.1
Total expenses	**6,320.5**	**999.5**	**799.7**	**306.5**	**37.7**	**283.8**	**8,747.7**
Segment results	**235.5**	**228.1**	**31.2**	**35.4**	**46.1**	**-24.7**	**551.6**
Current tax							120.0
Net result after taxation before minority							**431.6**

Other items included in the segmental income statement for the year ending 31 December of the prior year

In millions of euros	Life	General	Health	Bank	Fund Management	Other	Total 2005
Depreciation	6.5	0.4	0.0	7.3	-	21.6	35.8
Amortisation	21.1	5.9	-	2.0	-	9.0	38.0
Impairment on goodwill and other intangible fixed assets	5.3	-0.0	-	0.5	-	0.1	5.9
Impairment on doubtful debt	-0.6	0.7	-0.8	-	-	0.2	-0.4

Segmental balance sheet

In millions of euros	Life	General	Health	Bank	Fund Management	Other	Total 2006
Assets							
Intangible assets	121.3	37.3	-	5.6	-	169.5	333.7
Investments in associates	7.8	0.1	-0.0	-	-	31.5	39.4
Financial investments	37,547.4	2,230.2	551.1	6,031.8	-	4,680.4	51,041.0
Reinsurance assets	1,209.7	146.5	-	-	-	-	1,356.2
Other assets	4,785.5	446.2	903.2	319.6	110.1	262.6	6,827.2
Total assets	**43,671.8**	**2,860.4**	**1,454.4**	**6,356.9**	**110.1**	**5,144.1**	**59,597.6**
Total equity	**4,238.1**	**729.6**	**300.2**	**310.2**	**67.0**	**-839.8**	**4,805.4**
Liabilities							
Insurance liabilities	28,533.9	1,683.1	913.7	-	-	-	31,130.8
Other liabilities	10,899.8	447.6	240.4	6,046.7	43.0	5,983.8	23,661.4
Total liabilities	**39,433.7**	**2,130.7**	**1,154.2**	**6,046.7**	**43.0**	**5,983.8**	**54,792.2**
Total liabilities and equity	**43,671.8**	**2,860.4**	**1,454.4**	**6,356.9**	**110.1**	**5,144.1**	**59,597.6**
Capital expenditure							
Property and equipment	22.1	-	-	10.1	-	6.7	39.0
Intangible assets	10.3	0.3	-	3.1	9.3	16.0	39.1
Total investments	**32.4**	**0.3**	**-**	**13.3**	**9.3**	**22.7**	**78.1**

Segmental balance sheet at year end 31 December of the prior year

In millions of euros	Life	General	Health	Bank	Fund Management	Other	Total 2005
Assets							
Intangible assets	130.3	46.8	-	4.9	-	153.8	335.7
Investments in associates	7.1	0.6	-0.7	-	-	25.3	32.4
Financial investments	35,969.9	2,287.2	489.2	5,664.1	-	5,024.7	49,435.2
Reinsurance assets	1,235.1	134.7	-	-	-	-	1,369.8
Other assets	4,022.9	373.0	349.7	544.2	41.7	579.3	5,910.9
Total assets	**41,365.3**	**2,842.3**	**838.3**	**6,213.2**	**41.7**	**5,783.2**	**57,084.0**
Total equity	**3,220.1**	**700.1**	**259.0**	**343.9**	**28.5**	**-605.6**	**3,946.0**
Liabilities							
Insurance liabilities	28,438.8	1,665.9	481.9	-	-	-	30,586.7
Other liabilities	9,706.4	476.3	97.3	5,869.4	13.2	6,388.7	22,551.4
Total liabilities	**38,145.3**	**2,142.2**	**579.3**	**5,869.4**	**13.2**	**6,388.7**	**53,138.1**
Total equity and liabilities	**41,365.3**	**2,842.3**	**838.3**	**6,213.2**	**41.7**	**5,783.2**	**57,084.0**
Capital expenditure							
Property and equipment	1.0	0.0	-	5.7	-	6.1	12.8
Intangible assets	5.4	4.8	-	3.4	-	2.6	16.1
Total investments	**6.4**	**4.9**	**-**	**9.1**	**-**	**8.6**	**28.9**

Changes compared to previous reporting periods

The income protection insurance activities of OHRA NV have formed part of the general insurance business from 1 January 2006. These activities previously formed part of the health business; the comparative figures have been adjusted accordingly.

(b) Secondary reporting format – geographical segments

Delta Lloyd Group operates in four main geographical areas. These are the Netherlands, Belgium and Luxemburg, Germany and Other (until 29 December 2005, notably the Netherlands Antilles and Curacao).

Revenue by destination does not differ materially from revenue by geographical origin, as most risks are located in the countries where the contracts were written.

Geographical segments

In millions of euros	2006	2005
Net premiums earned		
Netherlands	4,794.7	4,383.4
Belgium and Luxemburg	336.2	393.2
Germany	499.2	660.8
Other	-	97.6
Total	**5,630.1**	**5,535.0**
Total assets		
Netherlands	45,813.1	43,992.8
Belgium and Luxemburg	6,789.5	6,173.9
Germany	6,991.8	6,899.1
Other	3.2	18.3
Total	**59,597.6**	**57,084.0**
Capital expenditure		
Netherlands	56.8	17.9
Belgium and Luxemburg	16.8	6.5
Germany	4.5	4.0
Other	-	0.5
Total	**78.1**	**28.9**

The result before taxation can be broken down into the following geographical segments:

Geographical result at 31 December

In millions of euros	Life	General	Health	Bank	Fund Management	Other	Total 2006
Netherlands	667.4	189.0	-2.2	7.7	54.5	-165.6	750.8
Belgium and Luxemburg	65.0	-	-	19.4	-	4.3	88.8
Germany	-3.9	-	-	-0.6	-	10.0	5.5
Other	-	-	-	-	-	-0.1	-0.1
Result before tax	**728.5**	**189.0**	**-2.2**	**26.5**	**54.5**	**-151.3**	**845.0**

Geographical result at 31 December of the prior year

In millions of euros	Life	General	Health	Bank	Fund Management	Other	Total 2005
Netherlands	266.4	227.2	31.2	16.7	46.1	-39.5	548.1
Belgium and Luxemburg	-35.7	-	-	14.5	-	16.9	-4.3
Germany	6.2	-	-	4.2	-	-6.2	4.2
Other	-1.4	0.9	-	-	-	4.1	3.6
Result before tax	**235.5**	**228.1**	**31.2**	**35.4**	**46.1**	**-24.7**	**551.6**

3.1.6.5 (5) Details of income

Details of income for the year ending 31 December

In millions of euros	2006	2005
Premiums earned		
Life	3,145.7	3,771.7
General and Health	2,669.6	1,945.2
Gross written premiums	**5,815.3**	**5,716.9**
Premiums ceded to reinsurers	-180.5	-191.3
Net written premiums	**5,634.8**	**5,525.6**
Gross movement in provision for unearned premiums	-8.0	6.9
Reinsurers' share of movement in provision for unearned premiums	3.3	2.5
Net movement in provision for unearned premiums	**-4.7**	**9.3**
Net premiums earned	**5,630.1**	**5,535.0**
Fee and commission income		
Fee income from investment contract business	8.0	5.6
Fund management fee income	140.4	121.9
Other fee income	108.2	80.0
Total income from reinsurance premiums	39.4	38.6
Other commission income	32.6	60.0
Total fee and commission income	**328.7**	**306.2**
Total premium and fee income	**5,958.8**	**5,841.1**
Investment income		
Interest Income	1,430.7	1,391.1
Rental income	91.3	97.7
Dividends	336.8	279.3
	1,858.8	**1,768.1**
Movements in the value of investments classified as trading	9.4	12.0
Movements in the value of investments classified as other than trading	-270.0	1,351.1
Realised gains and losses on available-for-sale investments	281.3	174.0
Result from loans and receivables	32.8	62.4
Result from derivatives	103.5	-61.0
Other investment income	111.7	44.6
Result from participating interests after tax	2.9	-3.5
Total investment income	**2,130.5**	**3,347.7**
Total other operating income	107.0	95.9
Result on disposal of subsidiaries	0.0	14.5
Total income	**8,196.3**	**9,299.3**

Other investment income includes fair value gains and losses of investment property.

Interest income for the year ending 31 December

In millions of euros	2006	2005
Debt securities available-for-sale	165.7	199.3
Debt securities trading	3.9	1.8
Debt securities other than trading	449.6	404.4
Total debt securities	**619.1**	**605.4**
Total mortgage loans	**497.6**	**500.7**
Deposits	11.0	5.4
Issued loans	97.5	25.4
Loans to banks	6.3	5.6
Loans and advances to clients	73.3	65.4
Other	125.8	183.2
Other interest income	**314.0**	**285.0**
Total interest income	**1,430.7**	**1,391.1**

Financial assets designated at fair value through profit or loss includes interest income of € 718.9 million (2005: € 852.1 million), calculated using the effective interest rate method.

Result on outward reinsurance for the year ending 31 December

In millions of euros	2006	2005
Life	-16.9	-9.4
General and Health	38.3	58.5
Total	**21.4**	**49.1**

The above amounts do not include gains recognised when reinsurance contracts are concluded.

Interest income from financial assets includes € 0.1 million (2005: € 0.3 million) in accrued interest on impaired loans.

3.1.6.6 (6) Details of expenses

Analysis of expenses in financial year

In millions of euros	2006	2005
Claims and benefits paid		
Life	2,737.6	2,262.6
General and Health	1,925.9	1,278.2
Total claims and benefits paid	**4,663.5**	**3,540.9**
Claim recoveries from reinsurers		
Life	-133.7	-113.0
General and Health	-44.6	-30.3
Total claim recoveries from reinsurers	**-178.3**	**-143.3**
Net claims and benefits paid	**4,485.2**	**3,397.6**
Change in insurance liabilities, net of reinsurance		
Change in insurance liabilities	610.6	3,521.6
Change in reinsurance assets for insurance provisions	22.5	1.1
Total change in insurance liabilities, net of reinsurance	**633.1**	**3,522.7**
Profit sharing and discounts	89.5	45.2
Change in other provisions	-4.5	9.3
Expenses relating to the acquisition of insurance and investment contracts	597.4	609.6
Expenses relating to the acquisition of other contracts	54.8	63.1
Interest expenses		
Amounts owed to credit institutions	248.7	146.5
Debenture loans	24.6	35.8
Subordinated debt	27.4	28.2
Mortgage loans backed	278.9	205.6
Total interest expenses	**579.6**	**416.2**
Other finance costs	-	3.3
Total finance costs	**579.6**	**419.5**
Other operating expenses		
Staff costs and other employee-related expenditures	668.2	539.6
Amortisation of intangible fixed assets	28.3	37.2
Depreciation on property and equipment	22.2	35.8
Operating expenses	447.8	343.0
Gains and losses on disposals	0.1	1.4
Impairments on intangible fixed assets	4.9	5.9
Impairments on property and equipment	-	0.5
Reversal of impairment property and equipment	-	-0.8
Impairments on receivables	14.7	-0.4
Reversal of impairment on receivables	-5.2	-1.1
Other expenses	33.0	23.7
Foreign exchange differences	0.1	0.5
Transfer costs to acquisition costs	-298.0	-304.5
Total other operating expenses	**916.2**	**680.8**
Total expenses	**7,351.3**	**8,747.7**

No research and development costs were separately identified in the income statement.

Expenses under operating leases (included in expenses) amount to € 33.6 million (2005: € 27.2 million). No contingent rents or sublease payments are included in this amount.

3.1.6.7 (7) Employee information

Number of persons (FTEs) employed by Delta Lloyd Group at the end of the reporting period:

Number in FTEs	2006	2005
Permanent staff	6,446	6,184
Temporary staff	948	806
Total	**7,394**	**6,990**

Staff costs for the year ending 31 December

In millions of euros	2006	2005
Salaries	303.0	267.1
External staff	120.1	79.3
Social securities	47.0	52.0
Pension and post-retirement costs	108.6	88.8
Profit sharing and incentive plans	31.0	3.2
Termination benefits	1.8	-
Other	56.8	49.3
Total	**668.2**	**539.6**

For the Phantom Option Plan as described in accounting policy AC, an amount of € 17.0 million was charged to the income statement (2005: € 6.0 million).

These costs are charged to:

In millions of euros	2006	2005
Acquisition costs	167.4	129.5
Other operating expenses	500.8	410.1
Total	**668.2**	**539.6**

At year-end, the following options on Aviva plc share of GBP 0.25 each were in issue:

Aviva Executive Share Option Scheme as per 31 December 2006

	Option price (in pence Sterling)	Number of shares	Normally exercisable
	739.00	246,142	2002 - 2007
	380.00	327,961	2003 - 2008

Aviva Executive Share Option Scheme as per 31 December 2005

Option price (in pence Sterling)	Number of shares	Normally exercisable
950.00	96,858	2001 - 2006
739.00	697,792	2002 - 2007
380.00	2,077,700	2003 - 2008

The weighted average exercise price during the year was GBP 8.14. The exercise price is equal to the share price on the exercise date.

3.1.6.8 (8) Remuneration of directors

The amounts charged in the financial year for remuneration to current and former Executive Board members and current and former Supervisory Board members as referred to in section 2:383c of the Netherlands Civil Code amounted to € 5.0 million (2005: € 3.4 million) and € 0.3 million (2005: € 0.3 million) respectively.

According to Delta Lloyd Group’s remuneration policy, the basic salary of the Executive Board members can be adjusted biannually.

Delta Lloyd rewards its Executive Board members based on job weight (graded using the Hay method) and the remuneration market. To this end, use is made of the remuneration benchmark produced by Hay Management Consultants every year. The aim is to set remuneration in such a way that some 25% of the reward packages in the peer group used for comparative purposes are higher than the Delta Lloyd package.

Remuneration policy is set by the Supervisory Board’s Remuneration Committee. As at 31 December 2005, the basic salary was increased by 4%.

A performance-related arrangement is used for variable remuneration. For the individual members and the chairman of the Executive Board this arrangement is subject to a maximum of 50% and 60% respectively of twelve monthly salaries. Based on the achievement of personal and group performance targets in the 2005 financial year, the Remuneration Committee decided to award variable remuneration amounting 60% and 50% respectively.

The total remuneration of members of the Executive Board and the Supervisory Board consists of the following components:

Executive Board members' salaries and bonuses

In thousands of euros	2006	2005
N.W. (Niek) Hoek, chairman		
Salary	508.4	488.9
Bonus	252.1	252.1
	760.5	**741.0**
R.L.M. (Rob) Hillebrand 1)		
Salary	401.4	386.0
Dismissal compensation	900.0	-
Bonus	165.8	165.9
	1,467.2	**551.9**
P.J.W.G. (Peter) Kok		
Salary	401.4	386.0
Bonus	165.8	165.9
	567.2	**551.9**
P.K. (Paul) Medendorp		
Salary	401.4	386.0
Bonus	165.8	165.9
	567.2	**551.9**
Total	**3,362.1**	**2,396.7**

Pension costs in relation to members of the Executive Board and SupervisoryBoard

In thousands of euros (unless indicated otherwise)	Pension costs at 31 December 2006	Pension costs at 31 December 2005
N.W. (Niek) Hoek, chairman	119.8	102.1
R.L.M. (Rob) Hillebrand 1)	94.6	80.7
P.J.W.G. (Peter) Kok	94.6	80.7
P.K. (Paul) Medendorp	94.6	80.7
	403.6	**344.2**

Aviva plc share options

In number of options	At 1 January 2006	Granted	Exercised	Expired	At 31 December 2006
N.W. (Niek) Hoek, chairman	138,722	-	54,533	53,288	30,901
R.L.M. (Rob) Hillebrand 1)	47,113	-	16,750	21,636	8,727
P.J.W.G. (Peter) Kok	96,763	-	43,053	30,883	22,827
P.K. (Paul) Medendorp	55,659	-	21,355	20,743	13,561
Total	**338,257**	**-**	**135,691**	**126,550**	**76,016**

Phantom option plan

In number of options	At 1 January 2006	Granted	Exercised	Expired	At 31 December 2006
N.W. (Niek) Hoek, chairman	356,824	233,460	-	-	590,284
R.L.M. (Rob) Hillebrand 1)	230,492	150,802	-	279,733	101,561
P.J.W.G. (Peter) Kok	230,492	150,802	-	-	381,294
P.K. (Paul) Medendorp	230,492	150,802	-	-	381,294
Total	**1,048,300**	**685,866**	**-**	**279,733**	**1,454,433**

1) Retired as of 15 December 2006

In the Delta Lloyd Group Phantom option plan, Performance Units are awarded to management. The value of the Performance Units is based on the development of the Embedded Value measured against a 'peer group' which is determined in advance. These options are valued at € 2.9 million (2005: € 1.7 million) and recognised in other provisions.

Phantom options can be exercised after a period of three years if the performance criteria have been met, with an option to extend this period by five years.

Remuneration of Supervisory Board

In thousands of euros	2006	2005
R.H.P.W. (René) Kottman, chairman since 1 June 2006 1)		
Remuneration	39.0	30.0
Other	5.2	5.0
	44.2	**35.0**
J.A.N. (Jacques) van Dijk, chairman until 31 May 2006 2)		
Remuneration	22.5	40.0
Other	4.2	7.7
	26.7	**47.7**
V.A.M. (Vincent) van der Burg, deputy chairman		
Remuneration	35.0	32.5
Other	6.6	5.9
	41.6	**38.4**
C.P.J. (Peter) Appeldoorn		
Remuneration	32.5	30.0
Other	2.7	2.7
	35.2	**32.7**
P.G. (Pamela) Boumeester		
Remuneration	32.5	30.0
Other	2.7	0.2
	35.2	**30.2**
H.C. (Caspar) Broeksma 2)		
Remuneration	16.3	30.0
Other	4.4	7.3
	20.6	**37.3**
R. (Richard) Harvey BSC FIA 3)		
Remuneration	-	-
Other	-	-
	-	**-**
Ph.G. (Philip) Scott FIA 3) 4)		
Remuneration	-	-
Other	-	-
	-	**-**
M.H.M. (Marcel) Smits		
Remuneration	32.5	30.0
Other	2.7	2.5
	35.2	**32.5**
J. (Jan) Haars 5)		
Remuneration	17.8	-
Other	2.8	-
	20.6	**-**
E.J. (Eric) Fischer 5)		
Remuneration	16.3	-
Other	2.8	-
	19.1	**-**
T. (Tidjane) Thiam MBA 3) 6)		
Remuneration	-	-
Other	-	-
	-	**-**
Total	**278.5**	**253.8**

No bonuses, loans or mortgages have been made to current or former Supervisory Board members.

There were no pension entitlements or option schemes to current or former members of the Supervisory Board.

1) Exclusive of remuneration of the Supervisory Board of the Delta Lloyd Banking operations

2) Retired as of 31 May 2006

3) Unpaid Supervisory Board member

4) Retired as of 7 December 2006

5) Appointed as of 31 May 2006

6) Appointed as of 7 December 2006

3.1.6.9 (9) Tax expense

Tax charged to the income statement for the year ending 31 December

In millions of euros	2006	2005
Tax due for immediate payment	**138.4**	**64.7**
Deferred taxation:		
Originating from timing differences	7.2	77.2
Changes in taxation rates or taxation laws	-10.5	-7.0
Write down and reversal of write down of deferred taxation assets	-0.8	-14.9
Total deferred tax	**-4.1**	**55.3**
Total taxation charged to income statement	**134.3**	**120.0**

Unrecognised tax losses and temporary differences carried over from previous years were used to reduce current and deferred tax liabilities by € 0.0 million and € 16.0 million respectively (2005: € 0.0 million and € 12.5 million).

Tax charged to equity for the year ending 31 December

In millions of euros	2006	2005
Tax due for immediate payment	-	-
Deferred tax	10.7	45.7
Taxation effect of investments in associates and joint ventures that were recognised directly in equity	-	-
Total taxation charged to equity	**10.7**	**45.7**

Deferred taxes charged to equity pertain to tax on gains and losses in investments recognised in equity.

The discrepancy between the effective tax rates and the nominal tax rates is explained below:

Tax charged to the income statement for the year ending 31 December

In millions of euros	2006	2005
Result before tax	**845.0**	**551.6**
Taxation calculated at standard Netherlands corporation taxation rate of 29.6% (2005: 31.5%)	250.1	173.7
Changes in the applicable tax rate	-10.5	-6.6
Adjustment to taxation charge inrespect of prior years		
Non-assessable dividends	-49.8	-27.8
Non-taxable (profit)/loss on sale of subsidiaries and associates	-35.6	-19.4
Disallowable expenses		5.1
Differences arising from movement in unrealised gains and losses	-	-
Write down and reversal of write down of deferred taxation assets	-0.8	-15.0
Deferred taxation assets not recognised	-25.7	11.9
Other	6.6	-2.0
Total taxation charged to income statement	**134.3**	**120.0**

3.1.6.10 (10) Goodwill

Goodwill carrying value for the year ending 31 December

In millions of euros	2006	2005
Gross amount		
At 1 January	**165.3**	**166.8**
Additions	-	0.1
Disposals	-0.1	-
Foreign exchange differences	-	-
Other adjustments	5.0	-1.5
At 31 December	**170.2**	**165.3**
Accumulated impairment		
At 1 January	**-7.8**	**-2.6**
Impairment losses	-	-5.3
Disposals	0.1	0.1
Foreign exchange differences	-	-
Other adjustments	-	0.0
At 31 December	**-7.7**	**-7.8**
Carrying value of goodwill at 31 December	**162.5**	**157.5**

Goodwill arising on Delta Lloyd Group's investment in associates is included within the carrying value of those investments.

Goodwill allocation and impairment testing

For impairment testing purposes, goodwill is allocated to cash-generating units by division and business segment.

A summary of goodwill allocated to cash generating units is presented below.

In millions of euros	Total	Delta Lloyd ABN AMRO Verzekeringen Holding BV	Delta Lloyd Bankengroep NV	Cuil SA	Participatie & Financierings Maatschappij Delta Lloyd BV	Delta Lloyd Schade-verzekering NV
Carrying value of goodwill	**162.5**	**137.4**	**15.0**	**3.9**	**3.8**	**2.4**

As explained in accounting policy O, the carrying value of goodwill is reviewed at least annually or when circumstances or events indicate there may be uncertainty concerning the value. For the purpose of the impairment test, assets were grouped at the lowest level for which there are separately identifiable cash flows.The outcome of the test led to a total impairment of goodwill of € 5.3 million (2005: € 2.6 million).

The item other movements in an amount of € 5.0 million relates to an addition to goodwill following an adjustment to the price paid for ABN AMRO Insurance. In keeping with a supplementary agreement, an additional payment was made to ABN AMRO Bank during 2006.

Goodwill has been tested for impairment in these businesses as follows:

To test for possible goodwill impairment, the recoverable amount of the relevant cash generating units has been determined on the basis of a discounted cash flow calculation. This calculation is an appraisal value and is based on the discounted expected future cash flows from the operations over a 25-year period. Goodwill relating to the ABN AMRO Insurance division has also been tested using the discounted cash flow method. Cash flows have been discounted over the remaining life of the contract with ABN AMRO Bank (26 years).

Expected cash flows for future periods have been obtained from the plan figures for the 2007-2009 period. Expected cash flows for later periods have been extrapolated, taking into account the growth rate.

Key assumptions used for the calculation were:

- Growth rate represents the rate applied to extrapolate new business contributions beyond the business plan period, and is based on management's best estimate of future growth. The rate is in line with industry expectations and varies between 0.0% and 3.0%.
- Risk-adjusted discount rate represents the rate used to discount expected profits from future new business. The discount rate is a combination of a risk-free rate and a risk margin to make prudent allowance for the risk that experiences in future years may differ from those assumed. The rate is fixed at 6.7%.

No material changes were made to these assumptions compared to the previous year.

3.1.6.11 (11) AVIF and other intangible assets

Avif and other intangible fixed assets

In millions of euros	AVIF	Software	Other	Total
Cost price				
At 1 January 2005	**67.0**	**84.4**	**164.2**	**315.6**
Additions	-	17.6	-	17.6
Disposals	-	-7.1	-	-7.1
Foreign exchange differences	-	-	-	-
Other adjustments	-	-1.3	-	-1.3
At 31 December 2005	**67.0**	**93.6**	**164.2**	**324.9**
Additions	-	24.5	0.3	24.8
Disposals	-	-1.2	-43.5	-44.7
Foreign exchange differences	-	-	-	-
Other adjustments	7.4	0.0	2.0	9.4
At 31 December 2006	**74.5**	**116.9**	**123.0**	**314.4**
Accumulated amortisation				
At 1 January 2005	**-7.4**	**-56.9**	**-51.0**	**-115.3**
Amortisation for the year	-7.1	-12.9	-17.2	-37.2
Disposals	-	5.3	-	5.3
Foreign exchange differences	-	-	-	-
Other adjustments	-	1.1	-	1.1
At 31 December 2005	**-14.5**	**-63.4**	**-68.2**	**-146.2**
Amortisation for the year	-7.4	-11.8	-9.0	-28.3
Disposals	-	1.2	43.5	44.7
Foreign exchange differences	-	-	-	-
Other adjustments	-7.8	-0.0	-0.4	-8.2
At 31 December 2006	**-29.8**	**-74.0**	**-34.2**	**-137.9**
Accumulated impairment				
At 1 January 2005	**-**	**-**	**-**	**-**
Impairment losses recognised	-	-0.5	-	-0.5
Impairment losses reversed	-	-	-	-
Disposals	-	-	-	-
Foreign exchange differences	-	-	-	-
Other adjustments	-	-	-	-
At 31 December 2005	**-**	**-0.5**	**-**	**-0.5**
Impairment losses recognised	-	-4.7	-	-4.7
Impairment losses reversed	-	-	-	-
Disposals	-	-	-	-
Foreign exchange differences	-	-	-	-
Other adjustments	-	-	-	-
At 31 December 2006	**-**	**-5.3**	**-**	**-5.3**
Carrying value				
At 1 January 2005	**59.6**	**27.4**	**113.3**	**200.3**
At 31 December 2005	**52.5**	**29.7**	**96.0**	**178.2**
At 31 December 2006	**44.7**	**37.7**	**88.9**	**171.2**

The carrying value of software includes € 9.8 million (2005: € 15.7 million) in relation to proprietary software.

The category other mainly consists of € 87.7 million (2005: € 95.1 million) in distribution channels acquired as part of the acquisition of ABN AMRO Insurance; they are amortised in 30 years.

The acquired value in-force (AVIF) relates to the portfolio value of the acquired net assets of

ABN AMRO Insurance.

The remaining amortisation period for acquired AVIF business is 11 years.

The amounts recognised for software solely relate to assets acquired by Delta Lloyd Group. No software has been acquired through business combinations.

The impairment charge of € 4.7 million for 2006 relates to capitalised proprietary software development costs at year-end 2005. In December 2006, it became apparent that the Multifit project failed to meet expectations. The project was discontinued as a result. Project-related costs of € 8.8 million in 2006 were taken direct to the income statement.

3.1.6.12 (12) Property and equipment

Property and equipment at year end 31 December

In millions of euros	Development property	Owner-occupied property	Total property	Motor vehicles	Computer equipment	Other assets	Total
Cost price							
At 1 January 2005	**17.5**	**247.8**	**265.3**	**19.8**	**47.6**	**129.6**	**462.3**
Additions	-	1.8	1.8	0.2	6.8	4.8	13.7
Capitalised expenditure on existing assets	5.2	0.2	5.3	-	-	-	5.3
Changes in Group	-0.0	-12.7	-12.7	-0.9	-7.8	-4.4	-25.8
Disposals	0.1	-7.8	-7.7	-17.6	-1.5	-2.6	-29.4
Transfers to / from investment property	-13.2	2.2	-11.1	-	-	-	-11.1
Foreign exchange differences	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-
At 31 December 2005	**9.5**	**231.5**	**241.0**	**1.5**	**45.1**	**127.4**	**415.0**
Additions	18.2	6.3	24.4	-0.0	9.1	5.5	39.0
Capitalised expenditure on existing assets	-	-	-	-	-	-	-
Changes within Group	-	0.0	0.0	-	-1.4	1.5	0.1
Disposals	-	-2.1	-2.1	-0.2	-3.5	-6.1	-11.9
Transfers to / from investment property	-	-0.0	-0.0	-	-	-	-0.0
Foreign exchange differences	-	-	-	-	0.0	0.0	0.0
Other adjustments	5.6	-4.5	1.1	0.0	-0.6	-0.0	0.5
At 31 December 2006	**33.3**	**231.1**	**264.4**	**1.3**	**48.7**	**128.3**	**442.6**
Depreciation	-	-					
At 1 January 2005	**-**	**-34.1**	**-34.1**	**-9.8**	**-41.9**	**-83.3**	**-169.1**
Charge for the year	-	-6.3	-6.3	-0.2	-5.4	-23.9	-35.8
Changes in Group	-	3.3	3.3	0.6	11.0	2.0	17.0
Disposals	-	0.5	0.5	8.1	0.8	13.0	22.4
Transfers to / from investment property	-	-	-	-	-	-	-
Foreign exchange differences	-	-0.3	-0.3	-0.1	-0.9	-0.5	-1.7
Other adjustments	-	-	-	-	-0.1	-0.1	-0.2
At 31 December 2005	**-**	**-36.9**	**-36.9**	**-1.4**	**-36.3**	**-92.8**	**-167.5**
Charge for the year	-	-6.7	-6.7	-0.0	-4.1	-11.4	-22.2
Additions	-	-	-	-	-	-	-
Changes in Group	-	-	-	-	-	-	-
Disposals	-	0.9	0.9	0.2	3.5	5.5	10.1
Transfers to / from investment property	-	-	-	-	-	-	-
Foreign exchange differences	-	-	-	-	-0.0	-0.0	-0.0
Other adjustments	-	-	-	-	0.1	-1.9	-1.8
At 31 December 2006	**-**	**-42.7**	**-42.7**	**-1.3**	**-36.8**	**-100.6**	**-181.4**
Impairment	-	-					
At 1 January 2005	**-**	**-16.4**	**-16.4**	**-**	**-**	**-0.2**	**-16.6**
Additions	-	-0.5	-0.5	-	-	-	-0.5
Changes in Group	-	1.1	1.1	-	-	-	1.1
Disposals	-	1.0	1.0	-	-	-	1.0
Transfers to / from investment property	-	-	-	-	-	-	-
Foreign exchange differences	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-
At 31 December 2005	**-**	**-14.8**	**-14.8**	**-**	**-**	**-0.2**	**-15.0**
Additions	-	-	-	-	-	-	-
Changes in Group	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-0.3	-0.3
Transfers to / from investment property	-	-	-	-	-	-	-
Foreign exchange differences	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	0.3	0.3
At 31 December 2006	**-**	**-14.8**	**-14.8**	**-**	**-**	**-0.2**	**-15.0**
Carrying value							
At 1 January 2005	**17.5**	**197.3**	**214.9**	**9.9**	**5.8**	**46.0**	**276.6**
At 31 December 2005	**9.5**	**179.8**	**189.3**	**0.1**	**8.8**	**34.4**	**232.6**
At 31 December 2006	**33.3**	**173.7**	**206.9**	**-**	**11.9**	**27.5**	**246.3**

Delta Lloyd Group has no material finance leases, or leases to third parties under operating leases, for property and equipment.

Borrowing costs capitalised in property under construction during the year amount to € 3.2 million (2005: € 0.8 million). The interest rate applied was 4.41% (2004: 3.2%)

3.1.6.13 (13) Investment property

Investment property for the year ending 31 December

In millions of euros	Freeholds	Investment property – long-term lease contracts	Investment property – short-term lease contracts	Total
Cost price				
At 1 January 2005	**1,172.7**	**19.5**	**8.3**	**1,200.5**
Additions	39.9	-	-	39.9
Capitalised expenditure on existing properties	32.0	7.2	4.5	43.7
Changes in Group	-3.3	-	-	-3.3
Disposals	-79.2	-	-	-79.2
Transfers to / from property and equipment	11.1	-	-	11.1
Foreign exchange differences	0.5	-	-	0.5
At 31 December 2005	**1,173.6**	**26.7**	**12.9**	**1,213.2**
Additions	491.0	0.0	11.8	502.8
Changes in Group	-0.0	-	-	-0.0
Disposals	-227.3	-	-9.0	-236.2
Transfers to / from investment property	0.0	-	-	0.0
Foreign exchange differences	-	-	-	-
Other adjustments	-7.0	-	7.4	0.4
At 31 December 2006	**1,430.5**	**26.7**	**23.1**	**1,480.3**
Revaluation				
At 1 January 2005	**462.8**	**3.6**	**-1.8**	**464.6**
Fair value gains and losses	25.6	-1.5	-1.0	23.1
Changes in Group	0.8	-	-	0.8
Disposals	-13.2	-	-	-13.2
Foreign exchange differences	-0.1	-	-	-0.1
At 31 December 2005	**475.9**	**2.2**	**-2.8**	**475.2**
Fair value gains and losses	79.1	4.0	1.7	84.8
Disposals	-17.8	-	3.3	-14.5
Other adjustments	-	-	-0.6	-0.6
At 31 December 2006	**537.3**	**6.2**	**1.5**	**544.9**
Carrying value				
At 1 January 2005	**1,635.5**	**23.1**	**6.5**	**1,665.2**
At 31 December 2005	**1,649.5**	**28.8**	**10.0**	**1,688.4**
At 31 December 2006	**1,967.8**	**32.9**	**24.6**	**2,025.2**

Investment properties are stated at their fair values as assessed by qualified external valuers or by local qualified staff of Delta Lloyd Group as described in accounting policy Q.

Future rental income under non-terminable rental contracts is estimated at € 268.0 million. Of this amount, € 52.2 million is due within one year, € 153.9 million between one and five years, and the balance after five years.

Direct operating expenses (including repairs and maintenance) amounted to € 17.0 million (2005: € 16.7 million). Of this amount, approximately € 0.7 million (2005: € 0.7 million) relates to expenditure on investment properties that did not generate rental income during the reporting period.

3.1.6.14 (14) Investments in associates

Investments in associates at year end 31 December

In millions of euros	2006	2005
Carrying value		
At 1 January	**32.4**	**38.9**
Acquisitions	5.7	-
Disposals	-0.7	-
Share of result after tax	3.4	-3.5
Dividends received	-0.8	-
Fair value gains and losses in equity	-0.0	-3.0
Other adjustments	-0.7	-
At 31 December	**39.4**	**32.4**

The Group's interests in its prinicpal associates, all of which are unlisted and held by subsidiaries, were as follows:

In millions of euros	Assets	Equity	Income	Result	Proportion held
Credimo NV, Belgium	228.0	14.1	31.4	0.6	31,50%
Loevestein Beheer BV	5.7	5.7	0.4	0.3	50,00%
At 31 December 2005	**233.7**	**19.7**	**31.8**	**0.9**	
Credimo NV, Belgium	245.8	14.7	50.1	0.9	31,50%
Loevestein Beheer BV	10.7	10.5	0.3	0.6	50,00%
At 31 December 2006	**256.5**	**25.2**	**50.4**	**1.6**	

The figures are based on the most recent information made available by Delta Lloyd Group.

Individual investments in other participating interests are not considered material.

No restrictions are present at the associates that limit their ability to transfer funds to the parent in the form of dividends or to repay loans or advances other than the solvency requirements, as outlined in note 22.

3.1.6.15 (15) Financial investments

Financial investments comprise:

In millions of euros	2006	2005
Debt securities	21,854.4	22,376.0
Equity securities	12,205.2	10,920.8
Derivatives	200.4	106.2
Mortgage loans at fair value through profit or loss	5,120.2	4,514.7
Other loans and receivables	11,660.8	11,517.5
Total financial investments	**51,041.0**	**49,435.2**

Financial investments in debt securities at 31 December

In millions of euros	2006	2005
Debt securities		
Available-for-sale	3,595.7	4,666.9
Other than trading	18,085.6	17,612.9
Trading	173.1	96.2
Total debt securities	**21,854.4**	**22,376.0**

Financial investments in equity securities can be broken down as follows:

In millions of euros	2006	2005
Equity securities		
Available-for-sale	2,812.0	2,090.4
Other than trading	9,369.2	8,767.6
Trading	23.9	62.8
Total equity securities	**12,205.2**	**10,920.8**

Cost price / amortised cost, gross unrealised gains and losses and fair value of loans and receivables at 31 December

In millions of euros	Impaired cost / amortised cost	Difference in value	Fair value 2006
Other loans and receivables	11,660.8	204.2	11,865.1

Cost price / amortised cost, gross unrealised gains and losses and the fair value of loans and receivables at 31 December of the prior year

In millions of euros	Impaired cost / amortised cost	Difference in value	Fair value 2005
Other loans and receivables	11,517.5	187.5	11,705.0

The following is a summary of the fair value of investments (including mortgages) as at 31 December:

Overview of fair value of investments by category at 31 December

In millions of euros	Included in the balance sheet at amortised cost.	Recognised at fair value through trading result	Recognised at fair value through non-trading result	Available-for-sale	Total 2006
Debt securities	-	173.1	18,085.6	3,595.7	21,854.4
Equity securities	-	23.9	9,369.2	2,812.0	12,205.2
Derivatives	-	200.4	-	-	200.4
Mortgage loans at fair value through profit or loss	-	-	5,120.2	-	5,120.2
Other loans and receivables	11,865.1	-	-	-	11,865.1
At 31 December 2006	**11,865.1**	**397.4**	**32,575.0**	**6,407.7**	**51,245.2**

Overview of fair value of investments by category at 31 December of the prior year

In millions of euros	Included in the balance sheet at amortised cost.	Recognised at fair value through trading result	Recognised at fair value through non-trading result	Available-for-sale	Total 2005
Debt securities	-	96.2	17,612.9	4,666.9	22,376.0
Equity securities	-	62.8	8,767.6	2,090.4	10,920.8
Derivatives	-	106.2	-	-	106.2
Mortgage loans at fair value through profit or loss	-		4,514.7		4,514.7
Other loans and receivables	11,705.0	-	-	-	11,705.0
At 31 December 2005	**11,705.0**	**265.2**	**30,895.2**	**6,757.2**	**49,622.6**

Fair value is determined by the closing prices provided by Bloomberg or alternate reputable data providers.

The mortgage loans recognised at fair value through profit or loss consist mainly of first mortgages. Second mortgages are only granted where the first mortgage loan has been issued by Delta Lloyd Group. All mortgages relate to residential property only 48.2% of the mortgages granted have a foreclosure value of the property that is less than 90% of the loan amount (2005: 48.9%). No loans have been granted with a loan-to-value ratio of more than 125% without pledging additional collateral by the applicant. There were no fair value gains or losses in relation to these mortgage loans as a result of a change in credit ratings assigned to Delta Lloyd Group or Amstelhuys. The credit risk exposure of these instruments does not exceed their carrying value. No derivative instruments were contracted to mitigate any credit risk; it is felt that hedging is not required given the relatively small credit risk exposure.

Certain unit-linked products have been classified as investment contracts, while some are included within the definition of an insurance contract. The assets backing these unit-linked liabilities are included within the relevant categories in the consolidated balance sheet, and form part of the liability for investment contracts disclosed in note 25.

The carrying values of investments backing these unit-linked liabilities are as follows:

The carrying value of financial investments in relation to unit-linked liabilities is as follows:

In millions of euros	2006	2005
Debt securities	2,661.5	2,581.9
Equity securities	8,450.9	7,657.4
Loans	98.4	100.8
Deposits	928.3	812.5
Reinsurance assets	18.6	21.5
	12,157.8	**11,174.2**
The associated liabilities are:		
Unit-linked contracts classified as insurance contracts	11,966.9	11,252.1
Unit-linked contracts classified as investment contracts	585.2	413.7
	12,552.1	**11,665.9**

Accumulated impairment charges on AFS debt securities at 31 December

In millions of euros	2006	2005
At 1 January	2.1	-
Additions	-	-
Impairment charges for the year	-	2.1
Reversal of impairment charges during the year	-	-
Disposals	-2.1	-
Foreign exchange differences	-	
At 31 December	**-**	**2.1**

Accumulated impairment charges on AFS equity securities at 31 December

In millions of euros	2006	2005
At 1 January	442.9	627.4
Additions	-	
Impairment charges for the year	1.1	13.9
Reversal of impairment charges during the year	-	-
Disposals	-58.7	-198.4
Foreign exchange differences	-	
At 31 December	**385.3**	**442.9**

Impairment losses relate to an investment in equity securities previously adjusted for impairment. The value of this investment has fallen further during the reporting period.

Cumulative impairments on loans and receivables at 31 December

In millions of euros	2006	2005
At 1 January	80.4	86.8
Additions	-	-
Impairment charges for the year	13.1	10.9
Reversal of impairment charges during the year	-18.4	-5.6
Disposals	-15.8	-11.7
Foreign exchange differences	-	-
Amortisation	-	-
Other	-	-
At 31 December	**59.3**	**80.4**

The impairment charge recognised on loans and receivables relates to a number of smaller loans held by the banking division for a total amount of € 11.7 million (2005: € 9.6 million). Reversed impairment losses also primarily relate to loans held by the banking division in an amount of € 11.5 million (2005: € 5.4 million).

The conditions governing financial assets that would otherwise have matured or been impaired were not renegotiated.

Almost no accrued interest is recognised on financial assets subject to impairment.

Securities lending

Delta Lloyd Group has entered into securities lending arrangements for several group investment portfolios. Securities lending agreements have been entered into with a reputable bank in the Netherlands. No other securities lending arrangements are in effect at the balance sheet date.

At year-end 2006 no received financial assets or financial assets were charged as security in connection with securities lending agreements. In 2005 these amounted to € 0.0 million and € 269.0 million respectively.

The repurchase agreement includes € 0.0 million (2005: € 731.1 million) of debt securities and other fixed-income securities. The obligations arising under these agreements are included in financial liabilities (see note 31).

3.1.6.16 (16) Loans and receivables

Other loans and receivables at 31 December

In millions of euros	2006	2005
Loans to policyholders	149.4	131.8
Loans to banks	509.1	246.3
Loans and advances to clients	199.0	246.0
Loans and advances to intermediaries	10.9	13.9
Issued loans	4,239.6	4,398.7
Total loans and advances	**5,108.0**	**5,036.7**
Securitised mortgage loan notes	2,812.0	2,588.2
Non-securitised mortgage loans	3,740.8	3,892.7
Total mortgage loans	**6,552.8**	**6,480.9**
Total loans and receivables	**11,660.8**	**11,517.5**

The cumulative impairment charge on loans and receivables is explained in note 15.

The maturity analysis of other loans and receivables is as follows:

In millions of euros	2006	2005
Less than one year	2,702.8	1,583.4
More than one year	8,958.0	9,934.1
	11,660.8	**11,517.5**

3.1.6.17 (17) Securitised mortgages and related assets

In three subsidiaries in the Netherlands and Belgium, Delta Lloyd Levensverzekering NV, Amstelhuys NV and Delta Lloyd Bank Belgium, the benefits from eleven portfolios of residential mortgage-backed securities (RMBS) have been transferred to ten special purpose vehicles (“SPVs”), Arena 2000-I BV, Arena 2001-I BV, Arena 2002-I BV, Arena 2003-I BV, Arena 2004-I BV, Arena 2004-II BV, Arena 2005-I BV, Arena 2006-I BV, B-Arena NV/SA and DARTS Finance BV (“the securitisation companies or SPVs”), which were funded primarily through the issue of notes. No gains or losses were recognised on these transfers.

All the shares in the securitisation companies are held by independent entities, respectively Stichting Security Trustee Arena 2000-I, Stichting Security Trustee Arena 2001-I, Stichting Security Trustee Arena 2002-I, Stichting Security Trustee Arena 2003-I, Stichting Security Trustee Arena 2004-I, Stichting Security Trustee Arena 2004-II, Stichting Security Trustee Arena 2005-I, Stichting Security Trustee Arena 2006-I, B-Arena NV/SA and Stichting Trustee DARTS Finance. Delta Lloyd Levensverzekering, Amstelhuys and Delta Lloyd Bank Belgium do not own, directly or indirectly, any of the share capital of the securitisation companies or their parent companies. Delta Lloyd Levensverzekering, Amstelhuys and Delta Lloyd Bank Belgium have no right, nor obligation, to repurchase the benefit of any of the securitised mortgage loans before the optional call-date, other than in certain circumstances where they are in breach of warranty.

In 2006, Delta Lloyd Group transferred two mortgage portfolios to special purpose securitisation companies.

In March 2006, notes were issued under the Arena programme. The value of the underlying mortgage portfolio amounted to € 1 billion, in relation to which notes totalling € 1,005 million (RMBS) were issued by Arena 2006-I B.V.

The second securitisation transaction occurred in October 2006, on behalf of B-Arena N.V./S/A. The value of the underlying mortgage portfolio amounted to € 1 billion, in relation to which notes totalling € 1,010 million were issued.

At 31 December 2006, Delta Lloyd Levensverzekering NV and Amstelhuys NV held notes in the securitisation companies, which are repayable at various dates between 2037 and 2066. These are included at fair value (€ 200.6 million; 2005: € 196.5 million) in debt securities (see note 24) and other fixed-income financial instruments within other investments in the consolidated balance sheet.

Amstelhuys and Delta Lloyd Bank Belgium receive interest from the securitisation companies for the subordinated loans they have provided. Delta Lloyd Levensverzekering, Amstelhuys and Delta Lloyd Bank Belgium have concluded interest rate swaps with ABN AMRO Bank to hedge the interest payment flows for the SPVs.

In each case, the effect of the swaps is that the securitisation companies convert all or part of the interest flows receivable from customers in respect of the securitised mortgage loans into interest flows which are designed substantially to match the interest payable to the noteholders.

In all of the above transactions, the Delta Lloyd Group and its subsidiaries are not obliged to support any losses that may be suffered by the noteholders and do not intend to provide such support. Additionally, the notes were issued on the basis that noteholders are only entitled to obtain payment, of both principal and interest, to the extent that the available resources of the respective special purpose securitisation companies, including funds due from customers in respect of the securitised loans, are sufficient and that noteholders have no recourse whatsoever to other Delta Lloyd Group companies. Total mortgage assets in the above securitisation companies were € 7,423.8 million at 31 December 2006 (2005: € 6,233.0 million). Apart from the administration fees payable to other Group undertakings, described above, there are no other material gains or losses in these companies.

3.1.6.18 (18) Receivables and other financial assets

Receivables and other financial assets at year end 31 December

In millions of euros	2006	2005
Amounts owed by contract holders	546.9	414.4
Amounts owed by intermediaries	52.7	53.0
Deposits with ceding undertakings	175.3	184.8
Amounts owed by others	1,485.4	772.2
Other financial assets	267.9	170.2
Total	**2,528.2**	**1,594.6**
Expected to be recovered in less than one year	2,373.6	1,446.7
Expected to be recovered in more than one year	154.6	147.9
	2,528.2	**1,594.6**

Concentrations of credit risk with respect to receivables are limited due to the size and spread of Delta Lloyd Group's trading base. No further credit risk provision is therefore formed in excess of the normal provision for doubtful receivables.

3.1.6.19 (19) Capitalised acquisition costs and other assets

Capitalised acquisition costs and other assets during the reporting period

In millions of euros	Life	General	Health	Other	Total 2006	Total 2005
Participating insurance contracts	15.0	-	-	-	15.0	35.4
Non-participating insurance contracts	102.4	69.4	-	-	171.8	163.9
Investment contracts	19.1	-	-	-	19.1	-
Capitalised acquisition costs	**136.5**	**69.4**	**-**	**-**	**205.9**	**199.3**
Other assets	4.3	-	-	79.5	83.8	79.9
Capitalised acquisitions costs and other assets	**140.8**	**69.4**	**-**	**79.5**	**289.7**	**279.2**

Other assets include € 73.5 million (2005: € 79.1 million) in respect of assets classified as held for sale.

This item mainly comprises real estate property developed by Delta Lloyd Group companies. As these properties are not intended to be rented out to third parties or occupied by Delta Lloyd Group but are to be sold on the market, these are not included in the investment property or property and equipment.

Movement in capitalised acquisition costs during the reporting period:

In millions of euros	2006	2005
At 1 January	**199.3**	**213.0**
Capitalised acquisition costs	269.7	128.1
Amortisation	-263.2	-132.6
Other adjustments	-	-9.2
At 31 December	**205.9**	**199.3**

Other assets

The item ‘other assets’ includes assets of € 1.4 million that are expected to be sold within one year following the balance sheet date (2005: € 0.5 million).

3.1.6.20 (20) Share capital

Details of the Company's ordinary and preference share capital are as follows:

Share capital for the year ending 31 December

In millions of euros	2006	2005
The authorised share capital of the company at 31 December was:		
5,000,000 (2005: 5,000,000) ordinary shares with a face value of € 9.08 each	45.4	45.4
1,500,000 (2005: 1,500,000) convertible preference shares A with a face value of € 9.08 each	13.6	13.6
170,000 (2005: 170,000) convertible preference shares B with a face value of € 453.78 each	77.1	77.1
	136.1	**136.1**
The issued share capital of the company at 31 December was:		
3,300,008 (2005: 3,300,008) ordinary shares with a face value of € 9.08 each	29.9	29.9
170,000 (2005: 170,000) convertible preference shares B with a face value of € 453.78 each	77.1	77.1
	107.1	**107.1**
The issued convertible preference shares A 1,026,087 (2005: 1,026,087) with a face value of € 9.08 each are reported as convertible loan.	9.3	9.3

Ordinary shares in issue in the Company rank pari passu. All the ordinary shares in issue carry the same right to receive all dividends and other distributions declared, made or paid by the Company.

As from the time Delta Lloyd NV ordinary shares are listed on an official stock exchange, the convertible preference A shares may be exchanged for Delta Lloyd NV ordinary shares on a one-for-one basis, subject to an additional payment of €1,730.42 per converted share. As far as possible, this additional payment will be set off against the balance of the undated subordinated convertible loan. The conversion price will be adjusted upon the issue of Delta Lloyd NV ordinary shares in the event of a Delta Lloyd NV restructuring its share capital, or in the event of the Delta Lloyd NV ordinary shares being split into ordinary shares of a lower face value.

3.1.6.21 (21) Revaluation reserves

Revaluation reserves in relation to assets classified as available for sale on 31 December.

In millions of euros	Revaluation reserves
At 1 January 2005	**580.0**
Gross fair value gains and losses arising in period	807.8
Transfer available-for-sale equity relating to DPF contracts	-43.1
Net fair value gains and losses arising in period	**764.7**
Fair value gains and losses transferred to income on disposal	-59.1
Fair value gains and losses transferred to income on impairment	1.8
Balance of subsidiaries sold	
Foreign exchange differences	0.6
Aggregate tax effect	-45.7
At 31 December 2005	**1,242.2**
Gross fair value gains and losses arising in period	528.3
Transfer available-for-sale equity relating to DPF contracts	26.6
Net fair value gains and losses arising in period	**554.9**
Fair value gains and losses transferred to income on disposal	-281.3
Foreign exchange differences	0.4
Aggregate tax effect	-10.7
At 31 December 2006	**1,505.4**

3.1.6.22 (22) Retained earnings

Retained earnings for the year ending 31 December

In millions of euros	2006	2005
At 1 January	**2,333.0**	**2,006.2**
Net result	676.3	409.1
Dividends	-107.9	-82.3
At 31 December	**2,901.4**	**2,333.0**

Company solvency at year end 31 December

In millions of euros (unless indicated otherwise)	2006	2005
Solvency insurance activities		
Current solvency	4,676.4	4,013.9
Legally required solvency	1,451.2	1,408.3
Solvency margin	**3,225.2**	**2,605.6**
The current solvency for the insurance company of Delta Lloyd NV reported as a percentage of the required solvency is	322,2%	285,0%
Current solvency	4,676.4	4,013.9
Internal required solvency	2,176.8	2,112.4
Solvency margin	**2,499.6**	**1,901.5**
Solvency bank activities	143,4%	134,2%
Current key capital	280.0	278.4
Current testing capital	342.0	314.0
Required key capital	263.8	234.0
Solvency margin	**78.2**	**80.0**
BIS-Tier 1 ratio	8,5%	9,8%
BIS-ratio	10,9%	11,2%
Legally required BIS-ratio (%)	10,0%	10,0%

The current solvency in Delta Lloyd Group is 297 percent (2005: 264 percent) of the solvency requirement stipulated by the local insurance and banking supervisors.

3.1.6.23 (23) Insurance provisions

Insurance liabilities at year end 31 December

In millions of euros	Life	General	Health	Total 2006
Participating contracts	11,284.6	-	-	11,284.6
Unit-linked non–participating contracts	10,631.0	-	-	10,631.0
Other non-participating contracts	6,618.3	-	-	6,618.3
Outstanding claims provisions	-	802.6	201.4	1,004.0
Provision for claims handling expenses	-	64.6	12.9	77.5
Provision for claims incurred but not reported	-	470.3	565.7	1,036.0
Provision for unearned premiums	-	318.6	4.6	323.2
Provision for unexpired risks	-	0.4	72.5	72.9
Other technical provisions	-	26.7	56.6	83.3
Total	**28,533.9**	**1,683.1**	**913.7**	**31,130.8**

Insurance liabilities at year end 31 December of the prior year

In millions of euros	Life	General	Health	Total 2005
Participating contracts	5,591.9	-	-	11,841.9
Unit-linked non–participating contracts	11,555.3	-	-	11,555.3
Other non-participating contracts	11,252.1	-	-	5,002.2
Outstanding claims provisions	-0.0	818.1	183.9	1,002.0
Provision for claims handling expenses	-	55.4	10.3	65.7
Provision for claims incurred but not reported	-	436.9	210.6	647.5
Provision for unearned premiums	0.0	315.5	-	315.5
Provision for unexpired risks	-	-	70.0	70.0
Other technical provisions	39.5	40.0	7.1	86.5
Total	**28,438.8**	**1,665.9**	**481.9**	**30,586.7**

Life insurance business

Business description

Delta Lloyd Group underwrites life insurance as follows:

In the Netherlands, the balance of profits, after providing appropriate returns for policyholders, accrues for the benefit of the shareholders. The basis for determining returns for policyholders is consistent with methods and criteria applied generally in the Netherlands. In addition, unit-linked insurance contracts provide benefits which are determined by investment performance, subject to certain guarantees. With this type of contract, shareholders' profits are derived largely from management fees.

Delta Lloyd Group's external actuaries have reported that the assets of each of the life insurance operations were sufficient to meet their respective liabilities at 31 December 2006.

Methodology

There are two main methods of actuarial valuation of liabilities arising under life insurance contracts – the net premium method and the gross premium method – both of which involve the discounting of expected premiums and benefit payments.

Under the net premium method, the premium taken into account in calculating the provision is determined actuarially, based on the principles regarding 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, and so no assumption is required for persistency. Explicit provision is made for vested bonuses, including those vesting contractually following the most recent fund valuation. No such explicit provision is made for future regular or terminal bonuses.

The gross premium method uses the amount of contractual premiums payable and includes explicit assumptions for interest and discount rates, mortality and morbidity, early termination of the contract by the policyholder and future expenses. These assumptions can vary by contract type and reflect existing empirical data and future developments. Explicit provision is made for vested bonuses and expected future regular bonuses but not for terminal bonuses.

Group practice

Delta Lloyd Group generally uses the net premium method. For certain types of products an additional provision is added for future costs of rendering contracts paid-up or relating to voluntary early termination.

Provisions are determined according to applicable actuarial principles and statutory regulations. For the majority of traditional life insurance contracts in the Netherlands the provisions are calculated using market interest rates.

The valuation principles used within Delta Lloyd Group to calculate provisions vary per division. Provisions are most sensitive to assumptions regarding discount rates and mortality/morbidity rates.

For participating contracts, bonuses paid during the year are reflected in claims paid, whilst those allocated as part of the bonus declaration are included in the movements in the life insurance business provision. Provision is also made for unearned premiums, outstanding payments, and other technical provisions. These principles are described in detail below.

Delta Lloyd Group's divisions carry out a deterministic liability adequacy test, using current estimates of future cash flows under its insurance contracts. The future cash flows to be considered include all contractual cash flows such as claims handling costs, as well as cash flows resulting from options and guarantees. The liability adequacy test is carried out at least twice yearly, at the year-end and half-year reporting dates. The test meets IFRS requirements, and is applied uniformly within Delta Lloyd Group.

Life insurance business provisions where the insurer carries the investment risk

The provisions for traditional life insurance contracts are calculated in accordance with a prudent prospective actuarial method, based on the valuation assumptions regarding discount rates and mortality, taking into account the premiums to be received in the future and all the future liabilities under the conditions of each current insurance contract. A net premium method is used.

In addition, provision is also made for future maintenance expenses. Provisions are held for administrative costs for the following types of business:
- Individual contracts – all single premium and paid-up policies;
- Regular premium savings mortgage (‘Spaarhypotheek’) contracts;
- All group contracts.

Provisions are also made for the longevity risk associated with certain types of individual and group life insurance as the original life expectancy assumptions are no longer valid. For the Dutch life insurance operations of Delta Lloyd Group, liabilities under self-administered non-linked life insurance contracts are valued at market interest rates. The sharp increase in market interest rates, combined with a further flattening of the yield curve, resulted in a lower interest rate-related addition to provisions at year-end 2006. Due to the rising interest rates, the addition was € 494.5 million lower. The externally administered portfolios and the additional provisions referring to non-linked liabilities are not calculated using market rates. In total 84.1% of the non-linked liabilities in the Netherlands are calculated using market rates. This amounts to € 10,040.5 million out of a total non linked insurance liability of € 11,931.8 million in the Netherlands.

The non-linked life insurance liabilities of the Belgian portfolio have been valued at market rate since 1 January 2006. This applies to the entire portfolio, with a total value of € 1,533.7 million. The non-linked portfolio includes insurance as well as investment contracts.

Life insurance business provisions where the policyholder carries the investment risk

Unit-linked contracts and separated funds, which are classified as insurance contracts, are valued on the basis of the same principles as those used for the valuation of the investments on behalf of policyholders in relation to which they are held. Any additional provisions that are needed to cover mortality risks or guaranteed surrender values are included in the insurance provisions, where the insurer carries the investment risk.

Provision for outstanding payments

Provision is made at the end of the accounting period for the estimated ultimate cost of all payments not settled at that date after the deduction of amounts already paid, whether arising from events (surrender, maturity, death) occurring during the period or earlier periods.

This provision will include outstanding payments in respect of both linked and non-linked business.

This provision is determined by means of:

- An estimate of payments still to be settled at the end of the financial year,
- Including claims incurred but not reported (IBNR),
- Increased by internal and external claim settling costs still to be paid.

Reviewing individual claims files, policy terms and conditions assesses claims outstanding. Such amounts are estimated on a prudent basis.

The provision for disability insurance equals the discounted value of the expected claims payments (account is taken of terms, waiting periods as well as recovery chances and mortality rates).

Provision for unearned premiums

This provision equals the proportion of premiums written that relate to the period of risk after the reporting date and is included in the actuarial provisions.

Provision bonuses and rebates

The provision relates to the bonus declarations over the current book year and arises mainly on group life contracts in Germany. Bonus amounts are determined based on estimated interest profits based on underlying policy terms and conditions.

Assumptions

(i) Netherlands

Valuation discount rates for the year ending 31 December

In millions of euros	Valuation discount rates in 2006 and 2005	Mortality tables used in 2006 and 2005
Life	Actuele swapcurve of 3,0% - 4,0%	GBM 61-65. GBM 71-75. GBM/V 76-80. GBM 80-85. GBM/V 85-90 en GBM/V 90-95
Annuities in deferment and in payment	Actuele swapcurve, 3,0% - 4,0% of contractrente	GBM/V 76-80. GBM/V 85-90. GBM/V 95-00 Coll 1993/2003 en DIL 98. plus correcties voor toekomstige sterfteverbetering

Delta Lloyd Life

In most cases the provisions for life insurance contracts in most cases are calculated using the tariff bases. For individual annuity contracts where a mortality tariff base is older than the GBM/V 1976-1980 table the GBM/V 1976-1980 table is used.

For group life contracts, with the exception of separate account group contracts, with mortality bases not equal to the Coll. 93 mortality table, the provisions for life insurance contracts are increased by multiplying these provisions with the ratio between the actuarial benefit factor based on the mortality table GBM/V 1990-1995 and the actuarial factor based on the tariff base.

For group life contracts, an additional provision for longevity risk is formed at the portfolio level. This additional provision presents the amount required if provisioning were to be performed on the basis of the Coll. 1993 table rather than the GBM/V 1990-1995 table.

For contracts with an interest guarantee, a provision has been established for these guarantees on a market consistent stochastic basis.

A provision has also been established for group separate accounts that allow the holder to leave paid-up benefits with Delta Lloyd Group, irrespective of whether the assets held in the separate account are sufficient to meet its liabilities at the time the contract is paid-up. The provision for these contracts has been calculated on a market-consistent stochastic basis.

OHRA Life

In most cases the provisions for life insurance contracts are calculated using the tariff bases.

An additional provision is set up for unit-linked contracts with an interest rate guarantee on survival to maturity.

For group life and life contingent annuity contracts an additional provision is set up to take longevity risk into account. This provision amounts to the difference between the provisions determined on the tariff bases and the provisions recalculated on mortality bases that take longevity into account (DIL 1998 for individual annuities and Collectief 2003 for group life annuities).

For traditional policies with a profit sharing guarantee, a provision is set up in accordance with the Dutch regulatory requirements.

Changes in accounting policies at OHRA Life and NSF Life, as explained in accounting policy L, have resulted in the following adjustments to the balance sheet and income statement for 2005: insurance liabilities were increased by € 21.5 million while deferred tax liabilities were reduced by € 6.3 million. The item ‘change in insurance liabilities' was increased by € 16.7 million, causing the tax expense to decrease by € 4.8 million.

ABN AMRO Life

In most cases, the provisions for life insurance contracts are calculated using the tariff bases. For individual annuity contacts the mortality base is the GBM/V 1995 - 2000 mortality table.

The reserving bases for temporary term insurance are in line with the tariff bases used in the reinsurance contract for these contracts. The tariff bases are GBM/V 1990-1995

Savings-based products (if not unit-linked) are discounted against the actual swap rate.

(ii) Belgium

In Belgium, local generally accepted interest rates and published standard mortality tables are used for different categories of business as appropriate. The tables are based on relevant experience and show mortality rates, by age, for specific groupings of people. The table below provides an overview of the initial tariff base. The current provisions are calculated using market interest rates (current swap curve).

Valuation discount rates for the year ending 31 December

In millions of euros	Valuation discount rates in 2006 and 2005	Mortality tables used in 2006 and 2005
Life		MR. FR. MK. FK. FK sterftetafels
Universal Life	0%, 2,5% to 4,85%, actuele swapcurve	
Traditional contracts	3,25%, 3,5%, 3,75% or 4,75%, actuele swapcurve	
Annuities in deferment and in payment	3,25%, 3,5%, 3,75% or 4,75%, actuele swapcurve	MR. FR sterftetafels

Delta Lloyd Belgium Life

In most cases the provisions for life insurance contracts are calculated using the tariff bases.

An additional provision is set up for policies with a guaranteed base rate higher than the regulatory reference rate. This provision is determined on a policy by policy basis using the reference interest rate. This provision is formed in 10 years on a straight-line basis.

For contracts with discretionary participation features a profit sharing provision is set up based on the guaranteed amounts insured. The surplus is distributed to policyholders at the discretion of the shareholders' meeting. The profit sharing is effective for contracts with a guaranteed base rate lower than 3.75% in the first month after the decision of the shareholders' meeting. For contracts with a guaranteed base rate higher than 3.75%, the surplus will be distributed to the policyholder at maturity or death.

(iii) Germany

In Germany, local generally accepted interest rates and published standard mortality tables are used for different categories of business as appropriate. The tables are based on relevant experience and show mortality rates, by age, for specific groupings of people.

Valuation discount rates for the year ending 31 December

	Valuation discount rates in 2006 and 2005	Mortality tables used in 2006 and 2005
Life	2,75%, 3%, 3,25%, 3,50% or 4,00%	Sterbetafel 60/62. Sterbetafel 1986 or Sterbetafel DAV 199T
Annuities in deferment and in payment	2,75%, 3%, 3,25%, 3,50% or 4,00%	Sterbetafel 49/51. Sterbetafel 1987R. Sterbetafel 1994R. Sterbetafel DAV 2004R or Sterbetafel DAV 2004R Bestand

Delta Lloyd Lebensversicherung

In most cases the provisions for life insurance contracts are calculated using the tariff bases.

For life contingent annuity contracts with an old reserving base (e.g., Sterbetafel 1987R or Sterbetafel 1994R) an additional provision is set up to take longevity risk into account. This provision amounts to the difference between the provisions determined on the tariff bases and the provisions recalculated on a more modern mortality basis (Sterbetafel 2004R-Bestand). As per year-end 2006 this provision amounted to € 74.9 million (2005: € 71.1 million).

Profit sharing for traditional policies is based on the technical results plus the excess of interest-earnings over the base rate. At least 90% of the excess interest-earnings and technical results is added to a provision for future allocation to policyholders. The allocation of this provision is at the discretion of the board. The same procedure is used for investment contracts.

Movements

The following movements have occurred in the life provisions during the year:

In millions of euros	2006	2005
At 1 January	**28,438.8**	**25,956.3**
Provisions in respect of new business	1,514.8	1,631.0
Expected change in existing business provisions	-478.9	279.9
Variance between actual and expected claim experience	-180.9	70.8
Impact of operating assumption changes	3.1	14.3
Impact of economic assumption changes	-685.6	679.3
Other movements recognised as expense	9.1	-
Change in liability recognised as an expense	**181.6**	**2,675.3**
Portfolio transfers and acquisitions	-0.0	-296.0
Foreign exchange differences	-	-
Other movements not recognised as expense	-86.4	103.2
At 31 December	**28,533.9**	**28,438.8**

Movements to the life insurance business provisions are largely attributable to a provision for new business in an amount of € 1,514.8 million. This is lower than the provision formed in 2005, primarily as a result of Delta Lloyd Group's decision to focus on profitable new business. Defining turnover targets within this context is less relevant. The movement 'impact of economic assumption changes' is mostly interest related. This includes the movement in the market rate for non-linked life insurance liabilities, which are calculated using the market interest rate. The increase in provisions for interest guarantees on unit-linked and separate accounts and the increase in provisions for latent profit sharing are also included in the economic assumptions change.

Changes in the provision for unit-linked products caused by movements in the underlying investments are recognised on the basis of (i) expected changes and (ii) the difference between expected and actual movements.

The item 'other movements, not recognised as an expense' relates to translation differences on Ennia in 2005 and the addition of unrealised fair value gains or losses relating to DPF contracts in Germany and Belgium, which are charged to equity.

Participating insurance contracts

The following amounts have been included in the income statement in respect of policyholder bonuses:

In millions of euros	2006	2005
Bonuses allocated in anticipation of a bonus declaration, included in claims paid	114.1	112.9
Reversionary and similar policyholder bonuses, included in life provisions	48.5	49.6
	162.6	**162.5**

General and health insurance

Provisions for outstanding claims

Significant delays occur in the notification and settlement of claims and a substantial measure of experience and judgement is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with complete certainty at the balance sheet date. The provisions for general insurance and health are based on information available when the provision is determined; however, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments or if catastrophic events occur.

Provisions for outstanding claims are established to cover the outstanding expected ultimate liability for losses and loss adjustment expenses (LAE) in respect of all claims that have already occurred. The provisions established cover reported claims and associated LAE, as well as claims incurred but not yet reported (IBNR) and estimated LAE.

Outstanding claims provisions are based on undiscounted estimates of future claim payments, except for disability business for which discounted provisions are held.

In millions of euros	Discount rate 2006	Mean term of liabilities in years 2006	Discount rate 2005	Mean term of liabilities 2005
Netherlands				
Disability insurance contracts	3,61%	8.65	3,21%	7.22

No equalisation or catastrophe provisions have been recognised as these are not permitted under IFRS. The general reserves (included in equity) will be used to absorb the impact of any catastrophes. Moreover, catastrophe-related risk is partly reinsured.

Outstanding claims provisions are estimated based on known facts at the date of estimation, including statistics on the development of claim payments, incurred losses, average costs per claim and number of similar claims. Historical claims development is mainly analysed by accident period, although underwriting or notification period is also used where this is considered appropriate. Claim development is separately analysed for each geographic area, as well as by each line of business. Certain lines of business are also further analysed by claim type or type of coverage. In addition, large claims for each line of business are usually separately assessed, either by being provided for at the face value of loss adjuster estimates, or separately projected in order to reflect the development of large claims.

Estimated outstanding claims provisions are continually refined as part of a regular ongoing process as claims experience develops, losses are settled and further losses reported. The outstanding expected ultimate cost of claims is estimated using a variety of accepted actuarial and statistical projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson methods (see hereafter). These techniques predict the development of claim payments, incurred losses, average claim costs and claim numbers for each year based on the observed development of prior years.

The outstanding claims provisions before discounting were € 2,188.0 million (2004: € 1,785.1 million). The period of time which will elapse before the liabilities are settled has been estimated by modelling the settlement patterns of the underlying claims and related reinsurance recoveries.

The introduction of the basic health system on 1 January 2006 and the resulting shift in the insured population caused a disruption of traditional claim settlement patterns. The procedures for charging medical expenses by hospitals changed with effect from 2005. Hospital expenses can only be claimed once the full treatment has been completed. Previously, medical expenses were claimed as soon as individual components of a treatment were finished. As a result, claims patterns (in terms of timing) have changed. Another result from the change in procedures is that standard diagnostic treatments to which codes have been assigned are claimed using agreed rates instead of individually identified components. This impacts the comparability of historical data.

The uncertainty further increased due to the fact that hospitals experience backlogs in notifying claims for closed treatments. Hospitals cannot currently assure that the proper treatment codes have been used for the amounts claimed to date. The payments made to date are therefore considered as preliminary payments as opposed to final settlement. If hospitals are not able to provide sufficient assurance on these, the company will perform sample tests to assess the appropriateness of the claims made.

In determining the result for 2006, uncertainties regarding the risk equalisation method under the new Dutch Health insurance Act also play a role. The final budget for 2005 and 2006, as decided by the Health Care Insurance Board *(College voor Zorgverzekeringen)*, is also uncertain.

The combination of the above factors causes uncertainty in reported information. As a consequence, the provisions are based in part on historical information as well as estimates of risk premiums and numbers of people insured. Vektis, the national centre for healthcare statistics, prepared an independent estimate of the anticipated claims. Both estimates concur. The provision takes account of the fact that estimates may deviate. The appointed (external) actuary considers the provision to be prudent.

Assumptions

The ultimate level of outstanding general insurance claims is estimated by using a range of standard actuarial claims projection techniques. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence the ultimate cost of claims. As such these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers for each accident year based on the observed development of earlier years. In most cases no explicit assumptions are made regarding future rates of claims inflation or loss ratios, instead the assumptions used are those implicit in the historic claims development data on which the projections are based.

Judgement is used to assess the extent to which past trends may not apply in the future, for example to reflect changes in external or market factors such as public attitudes to claiming, economic conditions, varying levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

Assumptions for disability insurance business provisions

Explicit assumptions are used for the permanent health and injury insurance (disability insurance). If a policyholder becomes disabled a benefit is paid out. The required provision for benefit payments is based on the assumptions as described below. The provision is determined on the basis of a fixed discount rate that is equal to the interest rate specified in the actuarial tables. For a number of portfolios in the Netherlands the discount rate is based on the current swap curve.

The assumptions on which the disability insurance business provisions are based vary between per division of Delta Lloyd Group. Discrepancies are partly attributable to different portfolios and historical rates. In this paragraph the assumptions used under previous accounting policies using Dutch GAAP, as allowed by IFRS 4, are summarised per product type.

Assumptions	*Premium calculation*	*Provisioning*
Individual	*KAZO 90 (4%), KAZO 90 (3%), AOV 2000 (3%) Verbond 97 (4%), Verbond 97 (3%), Verbond 99 (3%)*	*KAZO 90 (4%), KAZO 90 (3%), AOV 2000 (3%) Verbond 97 (4%), Verbond 97 (3%), Verbond 99 (3%), Verbond 99 (4%), current swap curve*
Group	*WAO 93 (4%), WAO 96 (4%), PEMBA 99 (4%)*	*WAO 93 (4%), WAO 93 (3%), current swap curve*

Process used to decide on assumptions

Life insurance

Mortality assumptions have been derived from industry expertise and are based on national mortality tables. However, the mortality assumption underlying the provisions is passive (i.e., it rarely changes) and often reflects the pricing assumptions. Pricing basis assumptions for mortality are generally based on the most recent national mortality table.

For disability insurance provisions that are part of Delta Lloyd Group's life portfolio no specific allowance is made for recovery assumptions. This builds an element of prudence into the provision for these products.

Provisions for traditional saving-products have been valued on the basis of either the actual swap rate or a fixed interest rate. Savings-based mortgages however have policy-related interest rates.

General and health insurance

For all general insurance risks, Delta Lloyd Group uses several statistical methods to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The two methods more commonly used are the chain-ladder and the Bornhuetter-Ferguson methods.

Chain-ladder methods may be applied to paid claims or incurred claims (i.e., paid claims plus case estimates). The basic technique involves the analysis of historical claims development factors and the selection of development factors based upon this historical pattern. The selected development factors are then applied to cumulative claims data for each underwriting year which is not yet fully developed to produce an estimated ultimate claims cost for each underwriting year.

Chain-ladder techniques are most appropriate for mature classes of business which have a relatively stable development pattern. Chain-ladder techniques are less suitable in cases where the insurer does not have a developed claims history for a particular class of business.

Bornhuetter-Ferguson method uses a combination of a benchmark or market-based estimate and an estimate based upon actual claims experience. The former is based on a measure of exposure such as premiums; the latter is based on the paid or incurred claims to date. The two estimates are combined using a formula that gives more weight to the experience-based estimate as time passes.

This technique is used in situations where developed claims experience was not available for the projection (recent accident years or new classes of business).

The choice of estimate for each underwriting year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for individual underwriting years or groups of underwriting years within the same class of business.

The exposure of Delta Lloyd Group to claims associated with asbestos-related diseases is immaterial. The provisions have been estimated per case by claims handlers. Claims development is monitored periodically. With respect to claims development for this business, please refer to the section on Loss Development Tables.

For health insurance the above-mentioned techniques are used to calculate outstanding claim provisions and IBNR. Assumptions used to estimate ageing provisions, provisions for policyholders living abroad and policyholders suffering from chronic diseases are set by the regulator. The assumptions and methods to calculate these provisions are available industry-wide.

IBNR-provisions for disability insurance are also based on chain ladder techniques. Provisions for benefits in payment are estimated on models and assumptions that are used industry wide. The benefit provision is the discounted value of expected future cash flows including recovery and mortality probabilities. The recovery probabilities and mortality probabilities have been derived from industry expertise. The discount rates used are prescribed by the insurance regulator.

Movements

The following changes have occurred in the general insurance and health technical provisions during the year:

General technical provisions

In millions of euros	2006	2005
At 1 January	**1,350.3**	**1,336.9**
Impact of changes in assumptions	0.6	-26.8
Claim losses and expenses incurred in the current year	737.1	702.0
Movement in anticipated claim losses and expenses incurred in previous years	-131.2	-108.3
Incurred claims losses and expenses	**606.5**	**566.9**
Payments made on claims incurred in the current year	-348.8	-294.8
Payments made on claims incurred in prior years	-244.0	-263.3
Recoveries on claim payments	8.7	8.4
Claims payments made in the year, net of recoveries	**-584.1**	**-549.7**
Other movements in the claims provisions	-8.5	7.5
Change in claims provision recognised as an expense	**13.9**	**24.7**
Gross portfolio transfers and acquisitions	0.3	-30.4
Foreign exchange differences	-	2.5
Other gross movements	-	16.7
At 31 December	**1,364.6**	**1,350.3**

Health technical provisions

In millions of euros	2006	2005
At 1 January	**481.9**	**380.4**
Impact of changes in assumptions	-	-
Claim losses and expenses incurred in the current year	1,440.3	779.8
Movement in anticipated claim losses and expenses incurred in previous years	-38.1	-32.2
Incurred claims losses and expenses	**1,402.2**	**747.6**
Payments made on claims incurred in the current year	-770.5	-476.9
Payments made on claims incurred in prior years	-561.1	-172.1
Recoveries on claim payments	-	2.9
Claims payments made in the year, net of recoveries	**-1,331.5**	**-646.1**
Other movements in the claims provisions	29.7	-
Change in claims provision recognised as an expense	**100.4**	**101.5**
Gross portfolio transfers and acquisitions	328.0	-
Foreign exchange differences	-	-
Other gross movements	-1.2	-
At 31 December	**909.1**	**481.9**

Loss development table

The following table presents the development of cumulative claim payments and the estimated ultimate cost of claims for the accident years 2001 to 2006. The upper half of the table shows the cumulative amounts paid during successive years related to each accident year. For example, with respect to the accident year 2001, by the end of 2006 € 1,607.0 million had been paid in settlement of claims. In addition, as reflected in the lower section of the table, the original estimated ultimate cost of claims of € 1,777.1 million was re-estimated to be € 1,691.7 million at 31 December 2006. This decrease from the original estimate would generally be a combination of a number of factors, including claims being settled for larger or smaller amounts than originally estimated. The original estimates will also be increased or decreased, as more information becomes known about the individual claims and overall claim frequency and severity patterns

In the second year following adoption of IFRS, only six years are required to be disclosed. This will be increased in each succeeding additional year, until ten years of information is included.

Before the effect of reinsurance, the loss development table is:

Loss development gross of reinsurance

In millions of euros	All prior years	2001	2002	2003	2004	2005	2006	Total
Gross cumulative claims payments								
At end of accident year		1,087.6	1,196.2	1,222.0	1,295.8	1,097.0	1,125.3	
One year later		1,525.4	1,642.8	1,649.5	1,711.7	1,769.0	-	
Two years later		1,563.5	1,677.0	1,680.2	1,751.5	-	-	
Three years later		1,582.4	1,693.9	1,694.3	-	-	-	
Four years later		1,595.7	1,706.7	-	-	-	-	
After five years		1,607.0	-	-	-	-	-	
Estimate of gross cumulative claims								
At end of accident year		1,777.1	1,913.9	1,972.1	2,118.8	2,233.6	2,191.3	
One year later		1,774.6	1,897.7	1,894.1	1,992.7	2,100.4	-	
Two years later		1,713.4	1,834.1	1,818.4	1,901.0	-	-	
Three years later		1,698.2	1,805.5	1,799.3	-	-	-	
Four years later		1,691.3	1,795.0	-	-	-	-	
After five years		1,691.7	-	-	-	-	-	
Estimate of cumulative claims		**1,691.7**	**1,795.0**	**1,799.3**	**1,901.0**	**2,100.4**	**2,191.3**	
Cumulative payments		**1,607.0**	**1,706.7**	**1,694.3**	**1,751.5**	**1,769.0**	**1,125.3**	
Total	363.1	84.6	88.3	105.0	149.5	331.4	1,066.0	2,188.0
Effect of discounting	27.6	7.7	7.4	7.4	3.8	5.9	11.5	71.4
Value recognised in balance sheet	**335.5**	**76.9**	**80.9**	**97.6**	**145.7**	**325.5**	**1,054.5**	**2,116.6**

After the effect of reinsurance, the loss development table is:

Net of reinsurance

In millions of euros	All prior years	2001	2002	2003	2004	2005	2006	Total
Gross cumulative claims payments								
At end of accident year		1,084.3	1,192.5	1,211.6	1,288.3	1,086.2	1,112.7	
One year later		1,517.2	1,632.9	1,635.4	1,697.8	1,749.5	-	
Two years later		1,554.4	1,665.2	1,663.8	1,735.4	-	-	
Three years later		1,572.9	1,680.7	1,675.0	-	-	-	
Four years later		1,585.8	1,689.7	-	-	-	-	
After five years		1,592.2	-	-	-	-	-	
Estimate of gross cumulative claims								
At end of accident year		1,761.4	1,891.5	1,929.4	2,085.6	2,197.6	2,149.0	
One year later		1,754.8	1,870.1	1,857.2	1,962.8	2,064.4	-	
Two years later		1,693.4	1,803.3	1,793.6	1,878.0	-	-	
Three years later		1,678.9	1,781.1	1,771.7	-	-	-	
Four years later		1,671.5	1,767.3	-	-	-	-	
After five years		1,665.7	-	-	-	-	-	
Estimate of cumulative claims		**1,665.7**	**1,767.3**	**1,771.7**	**1,878.0**	**2,064.4**	**2,149.0**	
Cumulative payments		**1,592.2**	**1,689.7**	**1,675.0**	**1,735.4**	**1,749.5**	**1,112.7**	
Total	305.5	73.6	77.6	96.7	142.6	314.8	1,036.3	2,047.2
Effect of discounting	22.3	6.1	6.1	7.1	3.8	5.9	11.3	62.4
Value recognised in balance sheet	**283.3**	**67.5**	**71.5**	**89.6**	**138.9**	**308.9**	**1,025.0**	**1,984.8**

A prudent provisioning policy regarding cumulative claims will lead to a slight adjustment to the cost of claims in the future. This adjustment amounts to about 10% of the claim amount. The discrepancy with the cumulative payments arises from the fact that, owing to the frequency of claims, a substantial portion of the payments still need to be recorded in the second financial year.

The tables above include information on asbestos and environmental pollution (A&E) claims provisions from business written before 2001. The uncertainty inherent in A&E claims provisions is largely due to the extremely long latency period, uncertainties in the cover and claims costs, limited availability of data and uncertainty in the completeness/accuracy of the data. The A&E cumulative payments and claim reserves are shown separate in the following table. As the claims do not exceed the threshold of the reinsurance contract there is no difference between gross and net claims.

Asbestos and Environmental Pollution Loss Development Table - Gross of Reinsurance

In millions of euros	Cumulative payments	Claims reserves	Estimate of cumulative claims
31 December 2001	11.9	26.7	38.6
31 December 2002	10.1	30.8	40.9
31 December 2003	10.0	32.5	42.5
31 December 2004	9.6	45.0	54.6
31 December 2005	10.7	49.6	60.3
31 December 2006	17.6	51.0	68.6

Asbestos and Environmental Pollution Loss Development Table - Net of Reinsurance

In millions of euros	Cumulative payments	Claims reserves	Estimate of cumulative claims
31 December 2001	11.9	26.7	38.6
31 December 2002	10.1	30.8	40.9
31 December 2003	10.0	32.5	42.5
31 December 2004	9.6	45.0	54.6
31 December 2005	10.7	49.6	60.3
31 December 2006	17.6	51.0	68.6

Provision for unearned premiums

Movements

The following changes have occurred in the provision for unearned premiums (UPR) during the year:

The following movements in the unearned premiums provision occurred during the reporting period:

In millions of euros	2006	2005
At 1 January	**315.5**	**332.7**
Premiums written during the year	2,699.3	1,945.2
Premiums earned during the year	-2,691.3	-1,952.1
Other movements in unearned premiums provision	-	0.0
Movements in unearned premiums provision recognised as an expense	**8.0**	**-6.9**
Gross portfolio transfers and acquisitions	-	-11.5
Foreign exchange differences	-	-
Other adjustments	-0.3	1.2
At 31 December	**323.2**	**315.5**

3.1.6.24 (24) Reinsurance assets

Carrying amounts

The following is a summary of reinsured business included in insurance provisions. As far as life insurance business is concerned, this primarily relates to pro rata reinsurance. For general and health business, it relates to risk reinsurance (primarily excess of loss).

Reinsured provisions

In millions of euros	2006	2005
Life	1,209.7	1,235.1
General	146.5	134.7
Health	-	-
Total	**1,356.2**	**1,369.8**

The net provision is calculated by deducting reinsured business included in provisions from the gross provision. The table below provides a comprehensive overview of gross provision, reinsurance assets and net provision.

Gross provisions, premiums ceded to reinsurers and net provisions at 31 December

In millions of euros	Gross insurance provisions 2006	Reinsurance assets 2005	Net 2006	Gross insurance provisions 2005	Reinsurance assets 2006	Net 2005
Discretionary participating	5,003.3	571.0	4,432.3	5,255.0	591.3	4,663.8
Non-discretionary participating	6,030.0	529.2	5,500.8	6,250.0	1.2	6,248.7
Unit-linked non-participating	10,618.8	41.3	10,577.5	9,988.9	40.5	9,948.3
Other non-participating	6,618.3	68.2	6,550.1	6,711.9	602.0	6,109.8
Unallocated divisible surplus	263.5	-	263.5	233.1	-	233.1
Life provisions	**28,533.9**	**1,209.7**	**27,324.2**	**28,438.8**	**1,235.1**	**27,203.8**
Discretionary participating policies	1,661.1	-	1,661.1	1,458.3	-	1,458.3
Non-discretionary participating policies	-	-	-	-	-	-
Non-participating policies	534.4	-	534.4	513.8	-	513.8
Unit-linked policies	525.7	-	525.7	417.3	-	417.3
Investment contracts	**2,721.1**	**-**	**2,721.1**	**2,389.4**	**-**	**2,389.4**
Outstanding claims provisions	802.6	103.0	699.6	791.4	116.7	674.7
Provision for claims incurred but not reported	1,036.0	25.6	1,010.4	647.5	5.0	642.5
AB provision	201.4	-	201.4	210.6	-	210.6
Provision for unearned premiums	323.2	14.4	308.8	315.5	11.1	304.4
Additional provision for unexpired risk	72.9	-	72.9	70.0	-	70.0
Other technical provisions	83.3	-	83.3	47.1	1.9	45.2
Provision for claims handling expenses	77.5	3.4	74.1	65.7	0.0	65.7
Other contract and claims provisions	-	-	-	-	-	-
Totals	**33,851.9**	**1,356.2**	**32,495.7**	**32,976.1**	**1,369.8**	**31,606.3**

Assumptions

The assumptions used for reinsurance contracts typically follow those applied to insurance contracts. Reinsurance assets included in life insurance business provisions have not yet been valued on the basis of market interest rates.

Reinsurance assets are valued net of an allowance for their recoverability.

Movements

The following movements occurred in reinsurance assets during the year:

(i) Life insurance

Movements in receivables from reinsurers during reporting period

In millions of euros	2006	2005
At 1 January	**1,235.1**	**1,191.3**
Assets in respect of new business	7.7	8.2
Expected movement in existing business assets	-24.4	-17.5
Variance between actual and expected claim experience	-9.3	3.1
Impact of operating assumption changes	0.2	1.2
Impact of economic assumption changes	-	-
Other adjustments	-	2.1
Change in asset recognised as income	**-25.8**	**-2.9**
Portfolio transfers and acquisitions	-	44.5
Foreign exchange differences	-	2.2
Other adjustments	0.4	-
At 31 December	**1,209.7**	**1,235.1**

(ii) General insurance

Movements in receivables from reinsurers during reporting period

In millions of euros	2006	2005
At 1 January	**123.6**	**124.6**
Impact of changes in assumptions	0.4	-
Reinsurers' share of claim losses and expenses incurred in current year	41.6	35.9
Reinsurers' share of claim losses and expenses incurred in prior years	13.1	-9.2
Reinsurers' share of incurred claim losses and expenses	**55.1**	**26.7**
Reinsurance recoveries received on claims incurred in current year	-12.6	-10.4
Reinsurance recoveries received on claims incurred in prior years	-34.0	-16.7
Reinsurance recoveries received in the year	**-46.6**	**-27.1**
Other adjustments	-	2.7
Change reinsurance asset recognised as income	**8.5**	**2.3**
Foreign exchange differences	-	-5.0
Other adjustments	-	1.7
At 31 December	**132.1**	**123.6**

(iii) Reinsurers' share of the provision for unearned premiums (UPR)

The following movements have occurred in the provision for unearned premiums during the year:

In millions of euros	2006	2005
At 1 January	**11.1**	**9.6**
Premiums ceded to reinsurers in the year	114.8	91.3
Reinsurers' share of premiums earned during the year	-111.5	-88.7
Other movements in reinsuresers' share of unearned premiums provision	-	-0.1
Change in unearned premiums provision assets recognised as income	**3.3**	**2.5**
Reinsurers' share of portfolio transfers and acquisitions	-	-0.9
Foreign exchange differences	-	-
Other adjustments	-	0.0
At 31 December	**14.4**	**11.1**

3.1.6.25 (25) Liability for investment contracts

Carrying amount

Investment contract liabilities at year end 31 December

In millions of euros	2006	2005
Discretionary participating policies	1,661.1	1,458.3
Non-discretionary participating policies	-	-
Non-participating policies	534.4	513.8
Unit-linked policies	525.7	417.3
Total investment contracts	**2,721.1**	**2,389.4**

Life business investment liabilities

Investment contracts included under life business are those that do not transfer significant insurance risk from the contract holder to the issuer, and are therefore treated as financial instruments under IFRS.

Many investment contracts contain a discretionary participation feature in which the contract holder has a contractual right to receive additional benefits as a supplement to guaranteed benefits. These are referred to as participating contracts and are measured according to the methodology and group practice for life insurance liabilities as described in note 23 under (b).

For participating business concluded by Delta Lloyd Life (Belgium), the discretionary participation feature is recognised separately from the guaranteed element and is classified as a liability, referred to as unallocated divisible surplus.

Investment contracts that do not contain a discretionary participation feature are referred to as non-participating contracts and the liability is measured at either fair value or amortised cost.

Most non-participating investment contracts measured at fair value are unit-linked contracts and the fair value provision is equal to the unit-linked investment value plus additional non-unit provisions if required on a fair value basis. For this business, capitalised acquisition costs and a deferred income reserve liability are recognised in respect of transaction costs and front-end fees respectively, which relate to the management of investments, and which are amortised on a systematic basis over the contract term. The amounts of the related capitalised acquisition costs are shown in note 19.

The number of group pension contracts without insurance risk for which the liability is measured at amortised cost using the effective interest method, and the related volume are limited.

Guarantees on investment products are disclosed in note 34.

The fair value of contract liabilities measured at amortised cost is not materially different from the amortised cost liability. In view of their discretionary nature, the fair value of investment contracts with discretionary participation features is difficult to estimate reliably. The level of the discretionary payment is decided by Delta Lloyd Group, subject to the terms and conditions stipulated in the investment contract.

Movements in the year

Investment contract liabilities at year end 31 December

In millions of euros	2006	2005
At 1 January	**2,389.4**	**1,767.6**
Provisions in respect of new business	380.5	587.6
Expected change in existing business provisions	75.0	92.5
Variance between actual and expected claim experience	-81.9	-40.5
Impact of changes in assumptions	-52.9	-17.7
Other adjustments	11.1	0.0
Change in liability	**331.7**	**621.9**
Portfolio transfers and acquisitions	-	-
Foreign exchange differences	-	-
Other adjustments	-	-
At 31 December	**2,721.1**	**2,389.4**

3.1.6.26 (26) Effect of changes in assumptions and estimates on provisions for insurance and investment contracts

The following estimates and assumptions used in determining assets and liabilities for insurance and investment contract business were changed, and had the following effect on the profit recognised for the year:

In millions of euros	Effect on result
Assumptions	
Life	
Interest rate	671.8
Expenses	4.7
Persistency rate	-0.7
Mortality for insurance contracts	-
Mortality for annuity contracts	-0.4
Current tax	-
Other	8.6
Investment contracts - participating	
Interest rate	20.5
Expenses	0.7
Persistency rates	-0.1
Current tax	-
Other	2.7
Investment contracts - non-participating	
Interest rate	-
Expenses	-
Persistency rates	-
Current tax	-
Other	-
General and Health	
Change in discount rate assumptions	2.2
Change in loss ratio assumptions	-
Change in expenses ratio assumptions	-5.4
Total	**704.5**

Note 23 ‘Insurance liabilities’ includes the impact of changes in economic assumptions on the insurance liabilities. The figure shown may deviate from the effect of interest rate changes. The interest rate related impact on the result involves the consequences of movements in market interest rates during the year.

The above effects, and the impact of interest rate changes in particular, are partly offset by movements in the investment portfolio as a result of changes in market interest rates. The result will primarily be affected by differences in volumes and maturities.

3.1.6.27 (27) Tax assets and liabilities

The deferred tax assets and liabilities caused by temporary differences in tax base can be split into the following categories:

In millions of euros	2006	2005
Insurance liabilities	367.2	453.8
Investments	-436.6	-569.5
Equalisation reserve	-56.3	-55.5
Unused tax losses	12.2	18.9
Intangible fixed assets	-32.6	0.7
Pension schemes	3.1	49.2
Other	0.9	-38.1
Total deferred tax	**-142.0**	**-140.5**

The total amount of tax assets and liabilities is expected to be recovered or paid within one year. Of the total amount of deferred tax assets and liabilities recognised, € 128.7 million (2005: € 496.8 million) is recoverable or payable within one year.

Deferred tax assets

In millions of euros	2006	2005
The movement in the deferred tax asset was as follows:		
At 1 January	**15.8**	**22.7**
Changes in Group	-	-1.1
Intercompany transfers	-	127.7
Foreign exchange differences	-	-
Charge to income statement	-5.1	-90.2
Movement in revaluation reserve	1.2	-43.2
Movement in other reserve	-	-0.2
Impairment	-	-
At 31 December	**11.9**	**15.8**

Deferred tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through future taxable profits is probable.

The group has unrecognised tax losses of € 209.3 million (2005: € 242.6 million) to carry forward against future taxable income; these tax losses may be carried forward indefinitely.

The deferred tax assets and liabilities of companies that form part of the same tax entity as Delta Lloyd NV have been netted off, and are recognised as deferred tax liabilities.

Deferred tax liabilities

In millions of euros	2006	2005
The movement in the deferred tax liabilities was as follows:		
At 1 January	**156.3**	**51.9**
Change in group	-4.5	-4.7
Intercompany transfers	-	127.7
Foreign exchange differences	-	-
Charge to income statement	-9.2	-35.2
Movement in revaluation reserve	11.9	16.1
Movement in other reserve		-0.1
Other adjustments	-0.7	0.6
At 31 December	**153.9**	**156.3**

No deferred tax liabilities have been recognised for temporary differences associated with investments in subsidiaries.

The tax rate on deferred tax assets receivable and deferred tax liabilities payable has been adjusted for the entities subject to taxation in the Netherlands. This adjustment is in line with substantially enacted changes in the Netherlands corporate taxation rate. For 2006 the nominal tax rate is set at 29.6% and for 2007 and later at 29.1%.

3.1.6.28 (28) Pension obligations and other provisions

Provisions for other liabilities at 31 December

In millions of euros	2006	2005
Pension obligations	1,305.6	1,257.5
Restructuring provisions	45.8	52.2
Other provisions	61.9	40.1
Total	**1,413.3**	**1,349.8**

Movements in provisions for other liabilities during the reporting period

In millions of euros	Pension obligations	Restructuring provisions	Other provisions	Total
At 1 January 2006	**1,257.5**	**52.2**	**40.1**	**1,349.8**
Change in group	-	-	-	-
Intercompany transfers	-	-	-	-
Foreign exchange differences	-	-	-	-
Additional provision made in the year	13.3	-1.3	33.5	45.4
Unused amounts released	-	-0.3	-4.1	-4.4
Effect of discounting	-	-	-	-
Movement from a change in discount rate	-	-	-	-
Amortisation of discount	-	-	-	-
Withdrawal provision during the year	-	-4.7	-7.7	-12.4
Interest cost post-retirement benefits	53.0	-	-	53.0
Current service cost post-retirement benefits	60.5	-	-	60.5
Benefits paid	-59.2	-	-	-59.2
Actuarial gains and losses outside corridor	-	-	-	-
Curtailments and settlements	-19.4	-	-	-19.4
Other adjustments	-	-	-	-
At 31 December 2006	**1,305.6**	**45.8**	**61.9**	**1,413.3**

The reorganisation provision of € 35.5 million relates to the discontinuation of the activities of OHRA Belgium NV, a non-life insurer operating in the Belgian market. The entity will be wound up as soon as the remaining claim files have been closed. Other reorganisation provisions relate to minor restructuring programmes, notably Delta Lloyd Germany and the activities of Delta Lloyd Bank in Belgium.

Other provisions comprise of many small provisions throughout Delta Lloyd Group for other obligations such as costs of compensation (€ 20.3 million), litigation (€ 8.3 million) and staff entitlements (€ 8.8 million), among others. The possibility of these provisions being released to the income statement is considered to be remote.

Of the total provisions recognised in the balance sheet approximately € 52.3 million is expected to be released in the coming financial year. Of this amount approximately € 38.5 million relates to expected payments on pension benefits.

3.1.6.29 (29) Pension obligations

Introduction

Delta Lloyd Group has a number of pension schemes in the countries in which it operates, whose members receive benefits on a defined benefit basis. The main defined benefit scheme is in the Netherlands, and other schemes exist in Belgium, Luxemburg, Germany and (until 29 December 2005) in the Netherlands Antilles and Curacao. In the Netherlands, the main scheme is held in a separate foundation which has reinsured its pension obligations with Delta Lloyd Levensverzekering NV, a subsidiary.

Disclosures under the amendment to IAS 19 issued in December 2004 for the material schemes in the Netherlands and abroad are provided on the following pages. Total pension costs for these schemes have been calculated under IAS 19. The figures for the Dutch scheme include arrangements to meet other post-retirement obligations to staff. Delta Lloyd Group also operates a variety of smaller pension schemes both in the Netherlands and in other countries. Following the introduction of the Health Insurance Act in the Netherlands in early 2006, the partial compensation of health insurance premium payments for retired employees has been discontinued. The resultant release to the income statement amounts to € 15.3 million. There were no significant contributions outstanding or prepaid during the past two years.

Details of the material defined benefit schemes

The valuation used for accounting under IAS 19 has been based on the most recent actuarial valuations, updated to take account of that standard's requirements in order to assess the liabilities of the material schemes at 31 December 2006. The updating was made by actuaries in each country, either by the actuarial departments of the divisions or by external consultants. Scheme assets are stated at their market values at 31 December 2006.

The main pension scheme in the Netherlands is based on average pay, with a retirement age of 65 years. Pension contributions are determined at 1 January of each year and are based on the hourly salary of the employee, multiplied by the number of contract hours. The pension rights are 2.15% per service year of the employee's pension base.

The pension plan rules were changed with effect from 1 January 2006. The most important features of the new plan are summarised below.

- The actuarial rate used to determine the pension contribution by Delta Lloyd has been set at 3%.
- Additional contributions were made to compensate the shortfall as at 31 December 2005. Two types of additional contribution were involved:
  1. an additional contribution due to the increase in the provision necessitated by the change in the actuarial rate from 4% to 3%.
  2. a contribution in relation to the funding of the transition arrangements; this contribution takes the form of an annuity loan, extended by Delta Lloyd Life to the pension fund.
- Indexation of pension and post-retirement benefit payments (by the employer) until 1 January 2011. Indexation will be based on the wage index for active employees and on the price index for retired employees.
- Delta Lloyd is not obliged to make additional future contributions in relation to the indexation of pension and post-retirement benefit payments after 1 January 2011. Indexation by the pension fund will only be applied on the basis of investment returns achieved by the fund.

Delta Lloyd has a deferred right to have its contributions refunded at the moment of transition (1 January 2011). Should the pension plan show a surplus on this date, 50% will be returned to Delta Lloyd. A surplus is understood to exist of the real market funding ratio exceeds 100%. The real market funding ratio is defined as the quotient of the market value of investments and the gross defined benefit obligations, calculated on the basis of current market interest rates and adjusted for forecast inflation. Any refund will not exceed the sum of the single-premium policies underlying the additional contribution, increased by an adjustment for interest at a rate of 3% per annum, payable as of the date on which the additional contribution was made.

As at 31 December 2006, the pension plan assets exceeded the gross defined benefit obligation while the real market funding ratio was lower than 100% (94.6%). As a consequence, the entire surplus accrues to the pension fund members. The pension and post-retirement obligations of Delta Lloyd Group are therefore equal to the pension plan assets as at the balance sheet date. Based on the actuarial valuations set out below, the provision for pension and post-retirement obligations was increased by € 116.2 million.

The details for the material defined benefit schemes are shown below. Where schemes provide both defined benefit and defined contribution pensions, the assets and liabilities shown only relate to defined benefit pensions. The mortality table used (for the Netherlands plan) is the Coll 2003 table.

The main financial assumptions used to calculate defined benefit obligations under IAS 19 are:

In percentages	Netherlands 2006	Netherlands 2005	Foreign countries 2006	Foreign countries 2005
Data of most recent actuarial valuation				
Inflation rate	1,90%	1,40%	1,70%-2,00%	1,70%-1,90%
General salary increases	2,40%+merit	1,40%+merit	2,00%-4,00%	2,75%+merit
Pension increases	1,90%	1,40%	1,00%-2,00%	0,00%
Deferred pension increases	1,90%	1,40%	0,00%	0,00%
Discount rate	4,60%	4,00%	4,30%-4,50%	4,30%-4,50%

The expected rates of return on the plan assets are:

In percentages	Netherlands 2006	Netherlands 2005	Foreign countries 2006	Foreign countries 2005
Equity securities	6,50%	6,30%	8,60%	
Bonds	4,00%	3,60%	4,30%	
Property	6,20%	5,30%	6,10%	
Other	4,00%	3,60%	4,75%	4,64%

The overall rates of return are based on the expected returns within each asset category and on current asset mix. The expected returns are developed in conjunction with external advisors and take into account both current market expectations of future returns, where available, and historical returns. These rates have been developed specifically for pension calculations under IAS 19 and therefore differ from the rates used in the European Embedded Value (EEV) calculations elsewhere in this report.

The pension expenses for these schemes comprises:

In millions of euros	2006	2005
Current service costs	67.9	56.6
Past service costs	0.9	-
Gain on curtailments	-15.3	-26.1
Charged to net operating expenses	**53.5**	**30.5**
Interest charge on scheme liabilities	55.1	58.3
Total charge to income	**108.6**	**88.8**

The defined benefit obligation recognised in the balance sheet can be reconciled to the actual defined benefit obligation as follows:

In millions of euros	2006	2005
Defined benefit obligation recognised in the balance sheet	1,305.6	1,257.5
Past service costs not recognised	-11.1	-12.0
Pension surplus Delta Lloyd Life Belgium (including the effect of the asset ceiling)	8.7	5.2
Cumulative unrecognised actuarial losses	190.4	107.9
Actual defined benefit obligation	**1,493.6**	**1,358.6**

Defined benefit obligations for an amount of € 14.9 million relate to plans that are wholly unfunded (2005: € 100.3 million).

Past service income not yet recognised amounts to € 11.1 million (2005: € 12.0 million). This amount is capitalised and will be recognised in the income statement over a period of 13 years, starting in 2006.

The following disclosures of experience gains and losses will be built up over time to give a five year history:

In millions of euros	2006	2005	2004
Fair value of plan assets and reimbursement rights at the end of the year	1,451.3	1,271.4	1,120.9
Present value of defined benefit obligations at the end of the year	1,493.6	1,358.6	1,274.0
Net pension deficit	**-42.3**	**-87.2**	**-153.1**

The amount of actuarial gains and losses not recognised as a result of the corridor approach described below is € 82.5 million at 31 December 2006 (2005: € 86.5 million)

The assets of the schemes, attributable to defined benefit members at the year ending 31 December

In millions of euros	Netherlands 2006	Foreign countries 2006	Total 2006	Netherlands 2005	Foreign countries 2005	Total 2005
Equity securities	459.6	37.7	497.3	323.7	34.7	358.4
Bonds	738.9	17.6	756.5	720.3	17.6	737.9
Property	68.6	7.5	76.1	53.0	6.0	59.0
Other	119.2	1.5	120.7	114.0	2.1	116.1
Total fair value of assets	**1,386.3**	**64.3**	**1,450.6**	**1,211.0**	**60.4**	**1,271.4**

As the Delta Lloyd Pension Fund has insured its pension obligations with Delta Lloyd Life in the Netherlands, this entity recognises the related investments and a related insurance liability. To avoid double recognition, both as actual investments and plan assets/reimbursement rights on the asset side and defined benefit obligations and insurance liabilities on the liability side, the plan assets and the insurance liabilities have been eliminated on the balance sheet of Delta Lloyd Group.

The actual return on the assets backing the insurance liabilities in the Netherlands for the year 2006 amounted to € 73.9 million (2005: € 143.5 million). This amount is already recognised in the investment income of the life segment, as this segment holds the actual investments. The actual return on plan assets in the Belgian defined benefit plan for the 2006 financial year are € 6.1 million (2005: € 8.1 million). This amount is included in other operating expenses in the income statement.

Corridor

Delta Lloyd Group has opted to apply the 'corridor approach' when accounting for actuarial gains and losses in the main pension scheme in the Netherlands. Under this approach the actuarial gains and losses that remain within the limits of the corridor (set at 10% of the defined benefit obligation) are not recognised. Any actuarial gains and losses outside the corridor are recognised during the average remaining working lives of the participants in the pension plan. As the plan assets of the Netherlands pension scheme are eliminated, only the actuarial gains and losses on the defined benefit obligation are taken into account. Corridor developments during the reporting period were as follows:

In millions of euros (unless indicated otherwise)	Pension plans in the Netherlands 2005	Pension plans in the Netherlands 2006
Net cumulative unrecognised actuarial gains and losses at 1 January	-107.9	-21.4
Limits of corridor	138.6	129.6
Excess	**-**	**-**
Average remaining working lives in years	**12.2**	**13.1**
Actuarial gains and losses to be recognised	-	-
Unrecognised actuarial gains and losses at 1 January	-107.9	-21.4
Actuarial gains and losses on obligations	-82.5	-86.5
Subtotal	**-190.4**	**-108.0**
Actuarial gains and losses recognised	-	-
Unrecognised actuarial gains and losses at 31 December	**-190.4**	**-108.0**

3.1.6.30 (30) Borrowing

Carrying amounts

The following table provides information on the maturity periods of Delta Lloyd Group's borrowings.

Borrowings are considered current if the maturity dates or the contractual repricing dates are within one year.

Contract maturity date 2006

In millions of euros	Less than one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	More than five years	Total 2006
Subordinated debt	2.2	-	-	-	1.2	467.2	470.6
Amounts owed to credit institutions	513.1	26.0	22.4	13.0	2.6	63.7	640.9
Securitised mortgage loan notes	-	-	-	-	-	7,932.8	7,932.8
Convertible loan	-	-	-	-	-	9.3	9.3
Other	-	-	-	-	-	20.8	20.8
Total borrowing	**515.3**	**26.0**	**22.4**	**13.0**	**3.8**	**8,493.9**	**9,074.4**

Contract maturity date 2005

In millions of euros	Less than one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	More than five years	Total 2005
Subordinated debt	-	2.2	-	-	-	420.6	422.8
Amounts owed to credit institutions	467.1	17.1	10.1	6.3	2.1	34.4	537.2
Securitised mortgage loan notes	-	-	-	-	-	6,704.8	6,704.8
Convertible loan	-	-	-	-	-	9.3	9.3
Other	87.2	-	-	-	-	-0.0	87.2
Total borrowing	**554.3**	**19.4**	**10.1**	**6.3**	**2.1**	**7,169.1**	**7,761.3**

The maturity periods and effective interest rates of the notes issued by the Arena and DARTS companies in relation to the securitised mortgage loans (see also note 17) are:

Portfolio: Delta Lloyd Life

In millions of euros (unless indicated otherwise)	Amortised cost	Contract maturity date	Anticipated maturity date	Interest rate	Fair value
Arena 2000-I	553.0	10/2062	10/2010	EBed, range 6.1% - 10.5%	588.8
Arena 2001-I	480.0	10/2053	10/2008	partly floating (2.7%) and EBed, range 5.5% - 6.5%	488.5
Arena 2002-I	495.0	06/2054	06/2009	partly floating (2.7%) and EBed, range 5.3% - 6.1%	506.4
Arena 2003-I	470.1	05/2055	05/2011	partly floating (2.6%) and EBed, range 4.3% - 5.2%	470.9
Total	**1,998.1**				**2,054.6**

Portfolio: Amstelhuys

In millions of euros (unless indicated otherwise)	Fair value	Contract maturity date	Anticipated maturity date	Interest rate
Arena 2004-I	688.4	02/2037	02/2012	partly floating (2.5%) and EBed, range 2.5% - 3.4%
Arena 2004-II	803.7	10/2051	10/2012	floating, range 2.3% - 2.9%
Arena 2005-I	999.1	02/2063	02/2011	floating, range 2.4% - 3.1%
Arena 2006-I	1,001.6	12/2064	03/2013	floating, range 2.4% - 3.1%
DARTS 2004-I	443.4	10/2066	10/2014	floating, range 2.3% - 3.4%
DARTS 2005-I	1,004.9	11/2064	11/2014	floating, range 2.3% - 3.4%
Total	**4,941.2**			

No changes in fair value of the securitised mortgage loans occurred due to changes in credit rating of Delta Lloyd Group, Amstelhuys or Delta Lloyd Bank Belgium. The nominal value of the loans measured at fair value through profit or loss at 31 December 2006 amounted to € 4,941.2 million (2005: € 3,951.0 million).

Description and features of the loans

In millions of euros	2006
Subordinated debt	
Stichting Nuts Ohra perpetual loan	172.4
Stichting Nuts Ohra	21.7
ABN AMRO Bank	22.2
Aviva plc	204.9
Other loans	6.5
	427.7
Securitised mortgage loan notes	
Delta Lloyd Levensverzekering	1,998.1
Amstelhuys	4,941.3
Delta Lloyd Bank Belgium	1,010.0
	7,949.4
Amounts owed to credit institutions	284.5
Other	412.8
	9,074.4

Stichting Nuts Ohra

The 2.5% perpetual subordinated loan notes were issued to finance the acquisition of NUTS OHRA Beheer BV in 1999. They are convertible into ordinary shares in Delta Lloyd NV, should there be a public offering of those shares. These loan notes have a face value of € 489.9 million but, because they are considered to be perpetual, their carrying value is € 172.4 million, calculated in 1999 and based on the future cash flows in perpetuity discounted back at a market rate of interest. The rate of interest paid on the notes is being gradually increased to a maximum of 2.76% in 2009. The fair value of the subordinated loan is € 214.9 million (2005: € 232.6 million).

A 5% 30 year € 21.7 million subordinated loan cum warrant, available for drawing in five tranches of € 4.3 million each, beginning on 1 September 2003 and ending on 7 May 2006. The loan matures on 1 May 2038. The warrant entitles the holder to 23,553 Delta Lloyd NV ordinary shares with a face value of € 9.08 each. The fair value at the end of 2006 is € 21.7 million (2005: € 17.4 million)

ABN AMRO Bank

A 7.4% perpetual € 22.5 million subordinated loan. The fair value of the subordinated loan is € 28.9 million (2005: € 31.3 million).

Aviva plc

The 5% € 250 million subordinated loan cum warrant has a term of 30 years. The warrant entitles the holder to 270,861 Delta Lloyd NV shares with a face value of € 9.08 each. Upon the granting of the loan, this warrant was separated from the liability at fair value and included in shareholders' equity. The fair value of the € 250 million subordinated loan is € 216.1 million (2005: 237.0 million).

Other loans

The remaining subordinated loans, with a total fair value at year-end 2006 of € 6.5 million (2005: € 6.5 million), have an average interest rate of 7.5% and an average remaining term to maturity of 3.8 years.

The amount owed to credit institutions and the other loans are repayable within one year.

The fair value of the long-term loans is based on the interest rates on long-term government bonds plus a margin of 1.5 %.

The warrant included in the loan from Aviva plc and Stichting Nuts Ohra can be exercised if Delta Lloyd NV seeks stock exchange listing.

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 Stichting Nuts Ohra ranks lower than other subordinated loans.

Movements in borrowings during the financial year

In millions of euros	2006	2005
At 1 January	**7,761.2**	**6,195.9**
New borrowing drawn down, net of expenses	2,483.3	2,248.9
Repayments of borrowing	-1,164.7	-687.1
Net cash inflow / outflow	**1,318.6**	**1,561.7**
Revaluation	-5.4	2.6
Amortisation of discounts and other non-cash items	-	1.0
At 31 December	**9,074.4**	**7,761.2**

3.1.6.31 (31) Payables and other financial liabilities

Financial liabilities at 31 December

In millions of euros	2006	2005
Savings	2,076.1	2,252.3
Demand deposits	1,162.2	1,118.1
Deposits	800.7	1,021.6
Other	-	1.6
Total Overdrafts	**4,039.1**	**4,393.6**
Third-party interests in investment funds	1,666.0	1,857.0
Other financial liabilities	270.7	212.6
Financial liabilities	**5,975.8**	**6,463.1**
Expected to be settled within one year	5,136.0	3,741.1
Expected to be settled in more than one year	839.8	2,722.0
Total	**5,975.8**	**6,463.1**

3.1.6.32 (32) Other liabilities

Other liabilities at 31 December

In millions of euros	2006	2005
Payables arising out of direct insurance	743.4	969.2
Payables arising out of reinsurance	80.8	107.2
Deposits received from reinsurers	1,032.3	1,055.6
Prepayments received and outstanding invoices	406.9	210.5
Short-term creditors	1,619.4	1,611.5
Total	**3,882.9**	**3,954.0**

In view of the repurchase agreements, € 1,666.0 million (2005: € 1,857.0 million) has been included under other liabilities for minority interests in the consolidated investment funds. No amount received under repurchase agreements is included in the financial statements as at December 2006 (2005: € 731.1 million).

In millions of euros	2006	2005
Expected to be settled within one year	3,864.3	3,940.7
Expected to be settled in more than one year	18.6	13.3
	3,882.9	**3,954.0**

3.1.6.33 (33) Contingent liabilities and other risk factors

Uncertainty over claims provisions

Note 23 gives details of the estimation techniques and assumptions used in determining the general business outstanding claims provisions and the life insurance business provisions respectively. The assumptions are designed to ensure that the provisions and the appropriate emergence of surpluses to pay future bonuses are prudent. Both provisions are estimated to give an estimated result. Due to the nature of the estimate process, for example where experience is worse than that assumed for life insurance business, or where assumptions over general business claims inflation may alter in the future, there is uncertainty in respect of this liability.

Asbestos, pollution and other environmental hazards

In the course of conducting insurance business, various companies within Delta Lloyd Group receive general insurance liability claims, and as a result become involved in actual or threatened litigation, including claims in respect of pollution and other environmental hazards. Amongst these are claims in respect of asbestos production and handling in the United States of America. Given the significant delays that are experienced in the notification of these claims, the number of potential claims involved and the uncertainties associated with establishing liability and the availability of reinsurance, the ultimate cost cannot be determined with certainty. However, Delta Lloyd Group's net exposure to such liabilities is not significant and, on the basis of current information and having regard to the level of provisions made for general insurance claims, Delta Lloyd Group considers that any costs arising are not likely to have a material impact on the financial position of Delta Lloyd Group.

Guarantees on life savings products

Note 34 gives details of guarantees and options given by various subsidiaries as a normal part of their operating activities, in respect of certain life insurance and fund management products.

Other

The Company and several of its subsidiaries have guaranteed the overdrafts and borrowings of certain subsidiaries and associates. In the opinion of the directors, no material loss will arise in respect of these guarantees and indemnities.

In addition, in line with standard industry practice, various subsidiaries have given in recent year guarantees, indemnities and warranties in connection with disposals of subsidiaries and associates to third parties. In the opinion of Delta Lloyd Group, no material loss will arise in respect of these guarantees, indemnities and warranties. The nature of the guarantees and security provided does not require these to be valued in accordance with IAS 39.

Several claims have been submitted, all of which are being disputed. On the grounds of legal advice and information obtained, it has been assumed that these claims will not have a significant adverse effect on Delta Lloyd Group's financial position. Accordingly, no provision has been made.

3.1.6.34 (34) Commitments

Contractual commitments for acquisitions or capital expenditures of investment property, property and equipment and intangible assets that were not recognised in the balance sheet, as well as guarantees and collateral that were not recognised in the balance sheet,were as follows:

In millions of euros	2006	2005
Intangible assets	-	-
Investment property	-	8.3
Repairs and maintenance	0.1	0.9
Owner-occupied property	-	-0.0
Property and equipment	-	0.0
Investments	242.2	18.1
Property under construction	0.0	22.3
Investments in Group	15.2	-
Guarantees	1,116.1	757.8
Rentals	117.1	97.6
	1,490.8	**905.0**
Associated companies	-	-

Contractual obligations for future repairs and maintenance on investment properties amounted to € 0.1 million (2005: € 0.9 million).

Guarantees and collateral include irrevocable facilities provided by Delta Lloyd Bank totalling € 656.9 million. In addition, this item includes the IT services outsourcing contracts until the end of 2011 for an amount of € 289.6 million. The future minimum payments due amount to € 57.9 million for the coming financial year. For the subsequent period the minimum payment due is € 231.7 million.

Operating lease commitments

Future aggregate minimum lease payments under non-cancellable operating leases were as follows:

In millions of euros	2006	2005
Within one year	13.2	6.2
Between one and five years	43.6	32.0
More than five years	-	0.0
Operating lease commitments	**56.7**	**38.2**
The total of future minimum sublease payments expected to be received under non-cancellable subleases.	-	-
Total operating lease commitments	**56.7**	**38.2**

3.1.6.35 (35) Risk management policies

Governance framework

The primary objective of Delta Lloyd Group's risk management is to protect the Group from any influence that impacts the sustainable achievement of Delta Lloyd Group's objectives and financial performance, including the ability to exploit opportunities. The critical importance of having efficient and effective risk management systems in place has been recognised. Delta Lloyd Group has an established governance framework in place; this framework contains three key elements:

- Clear terms of reference for the Board, its committees, and the associated executive management committees;
- a clear organisation structure with documented delegated authorities and responsibilities (largely through role profiles); and
- a Group policy framework which sets out risk appetite, risk management, control and business conduct standards for Delta Lloyd Group's operations. Each policy has a member of senior management in charge to oversee compliance throughout Delta Lloyd Group.

During 2006, Delta Lloyd Group developed risk appetite policies and actively contributed to studies of the upcoming Basel II / Solvency II regulations, which require Delta Lloyd Group to develop group risk policies, and to document and analyse each key risk area - market, credit, insurance, operational risk as well as impact on overall group reputation, capital management and strategy.

Integration of risk and capital management

Delta Lloyd Group has developed an Internal Capital Assessment (ICA) framework for identifying the risks to which each of its business units and Delta Lloyd Group as a whole are exposed, and quantifying their impact on the volatility of economic capital. The ICA estimates how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk. This is carried out by all material parts of Delta Lloyd Group. Although the ICA is an internal process, Delta Lloyd Group shared ICA information with the Dutch insurance regulator and intends to continue this in the future. Alongside the ICA model that is based on a one-year horizon, Delta Lloyd makes use of multi-year stochastic risk models for both life and general insurance operations. These models enable Delta Lloyd to test and assess its long-term risk policy.

It is expected that the future regulatory risk management requirements can be largely met by the

ICA models. The stochastic models are in the first instance intended for internal use and, apart from providing insight into various types of risk, can also be used for pricing and performance measurement.

Delta Lloyd Group risk structure

In 2006, four committees were set up to ensure effective decision-making on all risk management issues. Ultimately the Group Risk Committee (GRC) takes all decisions in this field. The GRC is advised by three committees:

- Financial Risk Committee
- Insurance Risk Commitee
- Operational Risk Commitee

Procedures have been drawn up for each committee, and approved by the GRC.

Impact of regulatory context on nature of the risks

A significant portion of Delta Lloyd Group's life insurance savings operations consists of products where the majority of investment risks are borne by the policyholders. Risks attributable to policyholders are actively managed to ensure that such risks are prudent and that they satisfy the policyholders' risk and reward objectives. Delta Lloyd Group informs its policyholders of the risks inherent to its products before and after these have been contracted, by means of the financial leaflet, for example.

In addition, Delta Lloyd Group's insurance operations are subject to local regulatory requirements in the jurisdictions in which the Group operates, which prescribe the type, quality and concentration of investments to be maintained in order to meet local insurance liabilities. These requirements help to ensure that the Delta Lloyd Group's risk levels are maintained at an acceptable level.

Solvency II is expected to be fully operational in 2010. Solvency II will replace the Solvency I regime, with the minimum required solvency henceforth being calculated according to the actual risks assumed by the insurer. Delta Lloyd Group closely monitors the Solvency II debate and is an active participant in the quantitative impact studies that are currently being conducted. In addition, Delta Lloyd Group already incorporates the expected outcomes of this debate into the models currently being developed.

Management of insurance risk

Delta Lloyd Group issues contracts that transfer insurance risk, financial risk or both. This section summarises these risks and the way Delta Lloyd Group manages these risks.

The Insurance Risk Committee (IRC) and the Financial Risk Committee (FRC) prepare policy and oversee the implementation of this policy.

Insurance risk

Delta Lloyd Group uses the results of the Internal Capital Assessment to quantify the order of magnitude of the insurance risks in the insurance portfolio. The insurance risk position of Delta Lloyd Group is assessed at least at an annual basis. When required, risk measures will be adjusted accordingly.

General, disability and health insurance risk

Risk management of the general insurance portfolios focuses on risk mitigation through strict underwriting policies, adequate claims handling procedures and risk-based reinsurance treaties.

Notwithstanding those measurements Delta Lloyd Group managed to increase the insurance portfolio and to strengthen its technical provisions (obtaining a high level of adequacy). Delta Lloyd Group's view is that a large portfolio benefits of risk diversification and hence reduces overall risk.

Besides, the risk profile of the general insurance portfolio is measured using an integrated risk-based capital model. The model identifies underwriting risk, reserving risk, catastrophe risk and business risk.
The frequency and severity of claims is simulated on a stochastic basis. In the Netherlands the major catastrophic risk is windstorm in combination with hailstorm both with a severe impact. Future claim payments are also simulated on a stochastic basis. The results give insight into the sources of uncertainty and are managed accordingly.

When a concentration of risks could occur (for instance when underwriting a number of properties that are in close proximity) Delta Lloyd Group's underwriting policy prohibits acceptance of these risks if the total insured amount on a risk location exceeds the thresholds set by the reinsurance contracts.

Due to the changes of the health insurance system in the Netherlands at the beginning of 2006, the insurance risks of the health insurance contracts have changed. The vast majority of the insurance risks is pooled with all the Dutch health insurance companies through an apportionment system. The obliged participation of insurance companies in the pool eliminates the effects of anti selection. The uncertainty within this line of business is primarily reflected in expense risk (not enough cost loading in the premiums to cover the expenses of the company). The health premiums for 2007 were set in 2006; 2007 is the first year under the new health system that policyholders are able to change insurers. Within Delta Lloyd the price elasticity was put into focus in order to support the pricing policy.

Life insurance contracts

The risk management of the life insurance portfolios focuses on risk mitigation by underwriting policies, adequate pricing and reserving policies as well as reinsurance treaties. In the life insurance portfolios the longevity risk is identified as the risk with highest exposure. Delta Lloyd Group manages this risk through consistent strengthening of the technical provisions in combination with balanced product mix management.

The mortality risk caused by Spanish flue type pandemics does not exceed the current risk limits set by Delta Lloyd Group. New developments in pandemic diseases are closely followed by the (re)insurance industry and medical advisors.

The portfolio in force was investigated in terms of insurance options and guarantees, like guaranteed annuity options and indexation options. The investigation identified no options and guarantees other than those Delta Lloyd Group was already aware of. Based on actual experience adequate provisions are held for the known options and guarantees.

Future premium receipts are surrounded by a few sources of uncertainty. If market interest rates increase sharply it is expected but not proved that the lapse rates of individual life insurance contracts will increase. Recent investigation provided no solid proof for a strong correlation between lapse rates and the level of the market interest rate. The last ICA gave insight in the effects of extreme selectivity in the individual life insurance portfolio, the impact is limited.

If the market interest rate remains at the current low level or even decreases further there is uncertainty surrounding the renewal rate of group pension contracts. The development of future premiums very much depends on market conditions at that specific moment.

Financial risk

The FRC advises the GRC on financial risks. The FRC determines whether measures are necessary and, if so, what measures. Within this context, it considers four perspectives:

- Tactical perspective: Delta Lloyd Group's view of current financial markets, and the measures taken on the basis of this view.
- IFRS perspective: the priority from this perspective is to reduce the volatility of the income statement.
- EEV perspective: how the value of the insurance business can be optimised from this perspective.
- Solvency perspective: this perspective looks at proposed measures from a capital position. Although the ICA calculations are leading, the long-term effect of measures is also taken on board, using ALM models.

If the FRC puts forward an issue requiring measures, it will assess these measures from the four perspectives. The GRC will ultimately determine which perspective carries the greatest significance.

Terms and conditions

Uncertainty surrounding the timing and amount of cash outflows is an integral part of the nature of most life insurance contracts. However, insurance contracts do not contain any terms and conditions that could lead to material uncertainty of Delta Lloyd Group's cash flows other than those that form part of the regular business of Delta Lloyd Group, the risk of which is limited through risk management techniques and policies employed.

Liability exposure is present in unit linked products whereby policyholder funds are partly invested in fixed interest investments and equities at the discretion of the policyholder, where most of the risk remains with the policyholder. Examples of these products include universal life and unit-linked products. Delta Lloyd Group typically earns a fee on the asset balance held in relation to these products and therefore has a risk related to the investment performance. In addition, some of this business has minimum return or accumulation guarantees, which are often contingent upon the policy being continued to the expiry date. Delta Lloyd Group is at risk if equity market returns do not exceed these guarantee levels and may need to set up additional reserves to fund these future guaranteed benefits. It is possible under certain circumstances that Delta Lloyd Group would need to establish additional provisions for minimum guaranteed benefits, which would reduce net income and equity.

Life insurance contracts can be surrendered voluntarily by the policyholder. Policyholder decisions can affect future cash flows of those portfolios.

Sensitivity analysis – life insurance

The nature of the insurance business is such that a number of assumptions have been made in compiling the financial statements. These include assumptions concerning investment returns, lapse rates, mortality rates and expenses in connection with in-force policies.

The sensitivity of the insurance provisions and assets backing the provisions to changes in assumptions is set out below. For each sensitivity factor, all other assumptions have been left unchanged. In practice this is unlikely to occur and changes in some of the assumptions may be correlated eg, change in interest rate and change in market values; change in lapses and future mortality. These sensitivities can be described as follows:

Sensitivity factor	Description of sensitivity factor applied
Interest rate	The impact of changing the interest rate by ± 1% (eg, review at 4% and 6% if the valuation interest rate is 5%). The test allows consistently for similar impacts on the unit-growth rate, bonus rates and expense inflation assumptions.
Expenses	The impact of increasing expense assumptions by 10%
Insurance mortality / disability	The impact of increasing the mortality / disability rate assumptions for insurance contracts by 5%
Annuitant mortality	The impact of reducing the mortality rate assumptions for annuity contracts by 5%

The above sensitivity factors, which are determined using actuarial and statistical models, have the following impact on the financial statements:

Participating insurance contracts

In millions of euros (unless indicated otherwise)	Variability	Impact on result before tax 2006	Impact on equity before tax 2006	Impact on result before tax 2005	Impact on equity before tax 2005
Risk factor					
Interest rate	+1%	0.5	-2.1	0.3	-0.7
Interest rate	-1%	1.1	3.9	-46.5	-22.6
Equity securities / property	+10%	54.8	54.8	60.2	60.2
Equity securities / property	-10%	-54.8	-54.8	-60.2	-60.2
Expenses	+10%	-1.6	-1.6	-4.3	-4.3
Assurance Mortality/Morbidity	+5%	-0.2	-0.2	-1.1	-1.1
Annuitant mortality	-5%	-	-	-	-

Non-participating insurance contracts

In millions of euros (unless indicated otherwise)	Variability	Impact on result before tax 2006	Impact on equity before tax 2006	Impact on result before tax 2005	Impact on equity before tax 2005
Risk factor					
Interest rate	+1%	-13.0	-17.6	6.4	-4.5
Interest rate	-1%	-284.6	-280.0	-352.7	-331.4
Equity securities / property	+10%	143.9	169.1	140.0	164.5
Equity securities / property	-10%	-168.2	-193.4	-163.6	-188.2
Expenses	+10%	-1.6	-1.6	-4.2	-4.2
Assurance Mortality/Morbidity	+5%	-1.0	-1.0	-0.2	-0.2
Annuitant mortality	-5%	-	-	-5.0	-5.0

Participating investment contracts

In millions of euros (unless indicated otherwise)	Variability	Impact on result before tax 2006	Impact on equity before tax 2006	Impact on result before tax 2005	Impact on equity before tax 2005
Risk factor					
Interest rate	+1%	-7.4	-7.4	25.9	-33.8
Interest rate	-1%	-46.2	-46.2	-68.4	-33.0
Equity securities / property	+10%	1.6	1.6	1.4	1.4
Equity securities / property	-10%	-1.6	-1.6	-1.4	-1.4
Expenses	+10%	-7.8	-7.8	-68.4	-33.0

Non-participating investment contracts

In millions of euros (unless indicated otherwise)	Variability	Impact on result before tax 2006	Impact on equity before tax 2006	Impact on result before tax 2005	Impact on equity before tax 2005
Risk factor					
Interest rate	+1%	-	-	-	-
Interest rate	-1%	-	-	-	-
Equity securities / property	+10%	-	-	-	-
Equity securities / property	-10%	-	-	-	-
Expenses	+10%	-	-	-	-

Assets backing life shareholders' funds

In millions of euros (unless indicated otherwise)	Variability	Impact on result before tax 2006	Impact on equity before tax 2006	Impact on result before tax 2005	Impact on equity before tax 2005
Risk factor					
Interest rate	+1%	-	-	-	-
Interest rate	-1%	-	-	-	-
Equity securities / property	+10%	27.7	67.4	27.7	55.4
Equity securities / property	-10%	-27.7	-67.4	-27.7	-55.4
Expenses	+10%	-	-	-	-

Sensitivity analysis – health, disability and general insurance

General insurance liabilities are estimated by using standard actuarial projection techniques. The main assumption underlying these techniques is that the company's past claims development experience can be used to project future claims development. As such these methods extrapolate the claims development for each accident year based on the observed development of earlier years. In several cases no explicit assumptions are made regarding future rates of claims inflation or loss ratios, instead the assumptions used are those implicit in the historic claims development on which the projections are based.

As such it is not possible to base sensitivity analysis on predetermined adjustments to the assumptions used to estimate the general insurance liabilities because explicit assumptions do not exist. Explicit assumptions only exist for disability business. Sensitivities for general insurance business are shown in the table below.

Gross of reinsurance General and Health contracts

In millions of euros (unless indicated otherwise)	Variability	Impact on result before tax 2006	Impact on equity before tax 2006	Impact on result before tax 2005	Impact on equity before tax 2005
Risk factor					
Interest rate	+1%	-7.9	-133.2	-158.8	-158.8
Interest rate	-1%	4.4	145.5	172.7	172.7
Equity securities / property	+10%	-	61.9	-	46.2
Equity securities / property	-10%	-	-61.9	-	-46.2
Expenses	+10%	-30.9	-16.1	-19.3	-11.2
Loss Ratio	+5%	-78.3	-78.3	-55.9	-55.9

Net of reinsurance General and Health contracts

In millions of euros (unless indicated otherwise)	Variability	Impact on result before tax 2006	Impact on equity before tax 2006	Impact on result before tax 2005	Impact on equity before tax 2005
Risk factor					
Interest rate	+1%	-7.9	-133.2	-156.6	-156.6
Interest rate	-1%	5.9	147.0	170.2	170.2
Equity securities / property	+10%	-	61.9	-	46.2
Equity securities / property	-10%	-	-61.9	-	-46.2
Expenses	+10%	-30.5	-15.8	-19.1	-11.0
Loss Ratio	+5%	-75.4	-75.4	-53.2	-53.2

The recent results of the risk-based capital model imply that the current financial position is more than adequate to cover the modelled risks. The model is developed in dedicated software, through a financial simulation engine that takes account of the uncertainties of the real world in business decisions and forecasting. Within Delta Lloyd Group the tool is used for Enterprise Risk Management (ERM), financial condition assessment, reinsurance retention studies, risk pricing and the calculation of capital requirements.

All Property & Casualty (P&C) Business of Delta Lloyd Group is modelled at an aggregated level. The modelled business is divided into 7 coherent classes. The model measures underwriting, reserving, catastrophe and market risk of the general insurance business in a consistent way using calibrated stochastic scenarios. The model developed will be rolled out to the business units in 2007, where they will be used for the purposes of risk and capital management (ALM/RBC), as well as pricing.

Limitations of sensitivity analysis

The above demonstrates the effect of a change in a key assumption whilst other assumptions remain unaffected. Such an occurrence in reality is very unlikely, due to correlation between the factors. Also be aware that these sensitivities are non-linear, and larger or smaller impacts cannot easily be gleaned from these results.

The above sensitivity analysis only examines the effect on the liabilities to changes in key assumptions. In many circumstances, particularly the sensitivity to interest rate movements, the overall effect on the company will depend on the related movement in asset values and hence the extent of asset liability management. Also the above sensitivity analyses do not take into consideration that Delta Lloyd Group's assets and liabilities are actively managed and may vary at the time that any actual market movement occurs. The financial risk management strategy aims to minimise the exposure to market fluctuations, including selling investments, changing investment portfolio allocation and using derivative financial instruments.

Other limitations in the above sensitivity analyses include: the use of hypothetical market movements to demonstrate potential risk that only represent Delta Lloyd Group's view of reasonably possible near-term market changes that cannot be predicted with any certainty; the assumption that all interest rates move in an identical fashion.

A number of the business units use passive assumptions to calculate their liabilities. Consequently, the actual impact of a change in the assumptions for mortality or interest does not affect the insurance liabilities directly. Changes of experience assumptions can lead to inadequate provisions and adjustment of the provisions.

Maturity periods

The market value of Delta Lloyd Group's investments is exposed to potential fluctuations in interest rates. Exposure to interest rate risk is managed through the monitoring of several risk measures, which includes position limits, scenario testing, stress testing (Solvency at Risk) and asset and liability matching using measures like modified duration.

Interest rate risk arises primarily from Delta Lloyd Group's investments, long-term debt and fixed-income securities. Interest rate risk is managed through the use of a variety of derivative instruments, including futures, options and swaps, in order to hedge against unfavourable market movements in interest rates inherent in the underlying assets and liabilities.

The following table summarises the contractual repricing or maturity dates (whichever is earlier) for fixed-rate and variable-rate financial liabilities. In 2005, Delta Lloyd Group formed a provision for market interest rates, as a result of which the majority of the Group's investments and liabilities are valued at market rates. The prudential reserve principles that are applied for provisioning purposes were not adjusted. The provision for market interest rates enables Delta Lloyd Group to manage the duration mismatch between investments and liabilities, which is necessary for economic reasons.

Analysis of expected maturity of financial liabilities at the year ending 31 December

In millions of euros	Total 2006	Within one year	Between one and five years	Between five and fifteen years	More than fifteen years
Non-linked insurance	17,115.1	1,164.3	4,288.3	6,516.0	5,146.5
Non-linked investment	1,665.4	100.6	782.6	547.1	235.1
Unit-linked	12,474.6	1,079.6	2,185.2	4,395.9	4,813.9
Total life insurance and investment contract liabilities	**31,255.1**	**2,344.5**	**7,256.0**	**11,459.0**	**10,195.5**
General insurance liabilities	1,683.1	727.5	591.7	302.0	62.0
Health insurance liabilities	913.7	845.9	61.7	5.2	0.9
Total	**33,851.9**	**3,917.9**	**7,909.4**	**11,766.2**	**10,258.4**

In millions of euros	Total 2005	Within one year	Between one and five years	Between five and fifteen years	More than fifteen years
Analysis of expected maturity of financial liabilities at 31 December 2005					
Non-linked insurance	17,952.9	1,188.0	4,069.9	7,137.2	5,557.9
Non-linked investment	1,975.7	90.2	922.6	590.6	372.4
Unit-linked	10,878.1	478.0	1,932.0	3,982.3	4,485.8
Total life insurance and investment contract liabilities	**30,806.7**	**1,756.1**	**6,924.4**	**11,710.1**	**10,416.1**
General insurance liabilities	1,571.4	684.3	550.5	261.5	75.1
Health insurance liabilities	576.5	430.1	91.3	45.7	9.4
Total	**32,954.6**	**2,870.5**	**7,566.2**	**12,017.3**	**10,500.6**

Embedded derivatives within insurance contracts

A part of the life insurance portfolio has a guaranteed maturity benefit. Except from the traditional life insurance contracts, guaranteed maturity benefits are granted on unit-linked contracts and segregated account contracts. There are strict conditions for execution of the guarantee, like participation in specified funds and allocation of premiums during a specified period. If the policyholder meets the conditions a return between 2 and 4% per annum is guaranteed on each premium. The height of the return depends on the issue date of the contract. The guarantee can only be executed at the maturity of the unit linked contracts and until the renewal date of the segregated account contracts.

The market value of the guarantee is calculated at year end and held as reserve. The market value is calculated using risk neutral scenarios.

Most non-linked life insurance contracts have a profit sharing option. The profit sharing is based on the market interest rate of a basket of Government bonds with a specified duration. The return on the aforementioned basket is monthly presented by the regulator. The profit sharing takes in account the timing and amount of historical premium cash in flow. This method is widely used in the Dutch market.

Management of market risk

Delta Lloyd Group has completed a project that enables forecasting models and tooling to create dynamic matching portfolios and strategies for investing the economic capital. New portfolio construction techniques have been developed to optimise investment income returns under IFRS in the context of yearly rebalancing of the asset mix. The project achieved that unified yield curves, market and growth forecasts and interest rate outlooks are used in models and fair value calculations on a group-wide basis.

In 2007-2008 a Delta Lloyd Group RBC/ALM model will be developed and implemented. The model will enable Delta Lloyd Group to take decisions on the strategic asset mix, capital management and risk appetite. The model will give information using real world as well as risk neutral scenarios.

The market value of Delta Lloyd Group's investments are exposed to potential fluctuations in interest rates. Exposure to interest rate risk is managed through the monitoring of several risk measures, which includes Solvency-at-Risk analysis, position limits, scenario testing, stress testing and dynamic asset and liability matching using measures like duration.

Interest rate risk arises primarily from Delta Lloyd Group's investments, long-term debt and fixed-income securities. Interest rate risk is managed through the use of a variety of derivative instruments, including futures, options and swaps/swaptions, in order to hedge against unfavourable market movements in interest rates inherent in the underlying assets and liabilities.

In 2005, Delta Lloyd Group entered into several sizable swaption agreements to mitigate the effects of potential adverse interest rate movements. The swaption position is monitored several times a year. As part of this process, the Groups assesses the need to adjust the position. Furthermore, the level of protective measures for deviations from the benchmarks of the Group's investment portfolio was increased.

Market risk

Market risk is the risk of adverse impact due to changes in fair values of financial instruments due to fluctuations in foreign currency exchange rates, interest rates, property prices and equity prices. Market risk arises within business units due to fluctuations in liabilities arising from products sold and the value of investments held. At Delta Lloyd Group level, it arises in relation to the overall portfolio of international businesses. The management of market risk is undertaken at three levels - within the insurance business units, the Asset Management Division and at Delta Lloyd Group level. Policies and procedures are in place for each of the major components of market risk, described in more detail below.

Derivatives are used only to a limited extent, based on policy guidelines agreed by the Chief Investment Officer and the statutory directors of the insurance businesses and the banking divisions. Derivatives are used for investment or debt-hedging purposes, or to structure specific retail-savings products. Speculative activity is generally prohibited. All derivative transactions are fully covered by either cash or corresponding assets and liabilities. Derivative contracts are entered into only with approved counterparties, in accordance with Group policies, thereby reducing the risk of credit loss.

Foreign currency exchange risk

Delta Lloyd Group operates within the euro zone and thus is not materially exposed to foreign currency exchange risk arising from fluctuations in exchange rates of various currencies. Delta Lloyd Group's investments and investment income are affected by currency movements, in particular by movements in pounds sterling and US dollars. In managing its foreign currency exposures, the Group occasionally hedges investment positions in foreign currencies to limit the impact of fluctuations in exchange rates on profit and loss. Delta Lloyd Group does not apply hedge accounting under IAS 39 to offset hedging gains and losses. The majority of foreign currency exchange risk relates to unit-linked portfolios where the policyholder carries the investment risk. This means that Delta Lloyd Group is exposed to limited risk. As a consequence, no sensitivity analysis of foreign currency exchange risk is provided.

Net assets at 31 December by principal currency

In millions of euros	2006	2005
Euro	1,882.3	1,536.3
Pound Sterling	1,474.0	1,215.2
United States dollar	949.5	782.8
Canadian dollar	63.6	52.4
Other	435.9	359.3
Total	**4,805.4**	**3,946.0**

Interest rate risk

Interest rate risk arises primarily from Delta Lloyd Group's investments and long-term liabilities. Interest rate risk is managed through the use of a variety of derivative instruments, including futures, options and swaps, in order to hedge against unfavourable market movements in interest rates inherent in the underlying assets and liabilities.

During 2005, Delta Lloyd Group entered into several sizable swap option agreements to mitigate the effects of potentially adverse interest rate movements.

Analysis in 2006 led to the decision not to make any adjustments to this position. The risks relating to Delta Lloyd Bank's mortgage portfolio are managed separately. In this context swaps were purchased to reduce the interest rate risk.

Property price risk

Delta Lloyd Group is subject to property price risk due to its holdings of investment properties in a variety of locations worldwide. At 31 December 2006, the Group had not entered into any material derivative contracts to mitigate the effects of changes in property prices.

Equity price risk

Delta Lloyd Group is subject to equity price risk due to daily changes in the market values of its equity securities portfolio. Equity price risk is actively monitored and managed through the use of derivative instruments, including futures and options, in order to mitigate potentially unfavourable market movements. As at 31 December 2006 Delta Lloyd Group did not have material holdings of option contracts for hedging equity price risk. In 2006, a study was initiated to determine the expediency of hedging (part of) the equity securities exposure. This measure was assessed from the four perspectives mentioned under 'Financial risk' above. It was subsequently decided to hedge part of the position. Furthermore, the Group had no material holdings of unquoted equity securities.

Concentrations of risk

Delta Lloyd Group holds a relatively high percentage of the ownership of several equities in its portfolio. Due to that Delta Lloyd Group is slightly over weighted in certain titles if compared to certain major indexes. This strategy is driven by the fact that returns on minority participations are tax exempt. Dependent on the vision and results of calculations made by Delta Lloyd Group, positions are hedged against decreases of rates. Concentrations of risk are further minimised by the size of Delta Lloyd Group's investment portfolio and the asset management strategy adopted.

Correlations between market risk and other risks

A number of policyholder participation features have an influence on Delta Lloyd Group's interest rate risk. The following are the major features identified:

- Guaranteed maturity benefit in traditional life insurance contracts.
- Guaranteed surrender value in parts of the traditional life insurance contracts.
- Profit sharing option.

Should interest rates decrease by 100 basis points, Delta Lloyd Group's exposure to interest rate risk on embedded derivative insurance contracts would become material.

Creditrisk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations, or changes to the market value of assets caused by changed perceptions of the credit worthiness of such counterparties.

Delta Lloyd Group's management of credit risk includes measurement of large individual counterparty exposures where aggregate data is monitored at group level. In addition, Delta Lloyd Group actively manages the concentration of exposures by industry sector, Standard & Poor's credit ratings, currency, and geographic region in its investment portfolios.

Financial assets are graded according to credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets which fall outside this range are classified as speculative grade. Delta Lloyd Group generally only invests in investment grade financial assets.

Credit risk at year end 31 December

In millions of euros	AAA	AA	A	BBB	Speculative rate	Not rated by Standard & Poor's	Total 2006
Debt securities	12,060.7	2,236.5	1,596.7	519.7	5.7	1,942.6	18,362.0
Reinsurance assets	659.4	517.2	17.9	5.2	-	156.4	1,356.2
Total	**12,720.0**	**2,753.8**	**1,614.6**	**525.0**	**5.7**	**2,099.1**	**19,718.2**

The debt securities listed here only include securities held for Delta Lloyd Group's own account; the credit risk on debt securities pledge in relation to unit-linked business is assumed by the policyholder.

Credit risk at 31 December of the prior year

In millions of euros	AAA	AA	A	BBB	Speculative rate	Not rated by Standard & Poor's	Total 2005
Debt securities	13,521.9	2,122.6	1,781.6	446.3	2.7	1,925.2	19,800.4
Reinsurance assets	5.3	502.3	660.0	3.4		198.8	1,369.8
Total	**13,527.2**	**2,624.9**	**2,441.6**	**449.7**	**2.7**	**2,124.0**	**21,170.2**

The debt securities listed here only include securities held for Delta Lloyd Group's own account; the credit risk on debt securities pledge in relation to unit-linked business is assumed by the policyholder.

The table below provides an overview of (i) the carrying amounts of impaired financial assets and (ii) an ageing analysis of financial assets that have not yet been impaired despite being owed.

Financial assets adjusted for impairment

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 2006
Loans	16,631.7	55.9	93.3	16,781.0
Receivables and other financial assets	2,523.7	2.7	1.9	2,528.2
	19,155.3	**58.6**	**95.2**	**19,309.2**

Financial assets adjusted for impairment during previous reporting period

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 2005
Loans	15,937.4	45.2	49.7	16,032.3

Maturity of financial assets that are past due but not impaired at year end 31 December

In millions of euros	Within three months	Between three and six months	Between six months and a year	More than one year	Total 2006
Loans	50.4	3.0	0.5	2.1	55.9
Receivables and other financial assets	1.0	0.6	1.1	-	2.7
	51.4	**3.6**	**1.5**	**2.1**	**58.6**

Maturity of financial assets that are past due but not impaired at 31 December of the prior year

In millions of euros	Within three months	Between three and six months	Between six months and a year	More than one year	Total 2005
Loans	45.2	-	-	-	45.2

The fair value of collateral under loans that have not yet been impaired despite being owed amounts to € 74.3 million at year-end 2006 (2005: € 116.9 million).

Delta Lloyd Group did not have any significant concentrations of credit risk exposure in 2006.

Reinsurance credit exposure

A balanced policy is in place to monitor and decide on reinsurance credit exposures and underwriting of new reinsurance contracts. The relationship with Aviva and reinsurance brokers provides continuous information about the quality of the Group's current reinsurers. By diversifying Delta Lloyd Group searches for the optimum between risk and return.

Liquidity risk

Delta Lloyd Group maintains a strong liquidity position. By pursuing an active cash management policy, Delta Lloyd Group aims to keep sufficient resources to meet its obligations in time. Delta Lloyd Group also has sizeable credit lines with several reputable financial institutions.

Operational risk

Operational risk arises as a result of inadequate or failed internal processes, people or systems; or from external events. This definition is intended to include all risk exposures to which Delta Lloyd Group is exposed, other than the financial risks described above, and strategic and Group risks that are considered briefly below. Hence operational risks include, for example, IT, information security, project, outsourcing, legal, fraud and compliance risks.

As with other risk categories, line management of business areas bears primary responsibility for the effective identification, management and monitoring of risks and reporting to the business unit Executive and Group, in accordance with Group policies. Business unit risk management and governance functions are responsible for implementing Delta Lloyd Group risk management methodologies and frameworks to assist line management in this work. They also provide support and independent challenge on the completeness, accuracy and consistency of risk assessments, and the adequacy of mitigating action plans. In this way, the business unit Executive satisfies itself that material risks are being mitigated and reported to an acceptable, predefined level.

Operational risks are assessed according to the potential impact and probability of the event concerned. These impact assessments are made against financial, operational and reputational criteria. As with other risks, operational risks are reported to Group on a quarterly basis. Risks assessed by business units to be at the two highest impact assessments are escalated to Group during the quarter as well. A holistic view of Delta Lloyd Group's financial and non-financial risks, including operational risks, is monitored by the Group Risk Committee on a quarterly basis.

3.1.6.36 (36) Derivative financial instruments

Non-hedge derivatives

Delta Lloyd maintains the following non-hedge derivative assets:

In millions of euros	Contract / notional amount 2006	Fair value asset 2006	Fair value liability 2006	Contract / notional amount 2005	Fair value asset 2005	Fair value liability 2005
Foreign exchange contracts						
OTC						
Forwards	1,297.6	6.9	6.9	1,563.4	19.7	38.5
Interest and currency swaps	-	0.6	-	41.9	-	0.4
Options	-	-	-	-	-	-
Exchange traded						
Futures	-	-	-	-	-	-
Options	-	-	-	-	-	-
Total foreign exchange contracts	**1,297.6**	**7.6**	**6.9**	**1,605.3**	**19.7**	**38.8**
Interest rate contracts						
OTC						
Forwards	320.5	0.3	-	50.0	0.0	-
Interest and currency swaps	6,708.7	148.1	104.6	3,628.6	43.5	135.1
Options	-	-	-	1.0	42.1	-
Exchange traded						
Futures	319.8	-	0.3	244.0	0.0	0.0
Options	-	-	-	-	-	-
Total interest rate contracts	**7,349.0**	**148.4**	**104.8**	**3,923.7**	**85.7**	**135.1**
Equity/Index contracts						
OTC						
Forwards	11.2	-0.1	-	-	-	-
Options	4,794.5	38.7	0.9	330.7	0.8	-
Exchange traded						
Futures	98.4	0.2	0.7	9.4	0.1	-
Options	186.4	6.3	2.3	3.4	0.0	-
Total equity/Index contracts	**5,090.5**	**45.1**	**3.9**	**343.4**	**0.8**	**-**
Other	**155.5**	**-0.6**	**0.6**	**-**	**-**	**-**
Total	**13,892.6**	**200.4**	**116.2**	**5,872.4**	**106.2**	**174.0**

Delta Lloyd Group does not apply hedge accounting as defined in IAS 39. It does not, therefore, offset any hedged positions, or directly include hedge results in its equity.

Non-hedge derivative assets have the folowing maturities

In millions of euros	2006	2005
Within one year	13,088.0	2,395.2
More than one year	804.6	3,477.2
	13,892.6	**5,872.4**

3.1.6.37 (37) Assets under management

Assets under management at year end 31 December

In millions of euros	2006	2005
Total assets included in the consolidated balance sheet	52,477.6	46,641.3
Third-party funds under management	8,212.6	8,589.0
Total assets under management	**60,690.2**	**55,230.3**

Third-party funds under management include funds managed by Delta Lloyd Group that have not yet been recognised in the consolidated financial statements.

3.1.6.38 (38) Related party transactions

Services provided to related parties

In millions of euros	Income earned in year 2006	Receivable at year end 2006	Income earned in year 2005	Receivable at year end 2005
Associated companies	-	-	1.9	0.2
Aviva group companies	50.4	94.9	76.6	80.4
	50.4	**94.9**	**78.5**	**80.6**

Services provided by related parties

In millions of euros	Expenses incurred in year 2006	Payable at year end 2006	Expenses incurred in year 2005	Payable at year end 2005
Associated companies	-	-	4.4	1.7
Aviva group companies	36.7	10.3	73.8	7.6
Employee pension schemes	55.5	1,305.6	34.0	1,191.6
	92.1	**1,315.9**	**112.1**	**1,201.0**

Related party transactions primarily involve transactions that have been entered into with the pension fund, as well as a loan and a reinsurance contract with an Aviva group entity.

The related parties payables are not secured and no guarantees were received in respect thereof. The payables will be settled in accordance with normal credit terms.

A maturity analysis of pension obligations is included in note 29 of the consolidated financial statements. The obligations to Aviva group companies are of a long-term nature.

Information concerning the emoluments, interests and transactions of members of the Executive Board and Supervisory Board are included in note 8 Remuneration of directors.

In addition to the positions included in the above tables, Delta Lloyd Group has extended two long-term loans to Stichting Nuts Ohra and Aviva plc. Further information on these loans is included in note 30.

Amsterdam, 23 February 2007

Executive board:

N.W. Hoek, chairman
P.J.W.G. Kok
P.K. Medendorp
H.H. Raué

Supervisory board:

R.H.P.W. Kottman, chairman
V.A.M. van der Burg
C.P.J. Appeldoorn
P.G. Bouwmeester
E.J. Fischer
J.G. Haars
R.J. Harvey
M.H.M. Smits
T. Thiam

3.2 Company financial statements

Company income statement for the year ending 31 December

In millions of euros	2006	2005
Result from participating interests after tax	722.4	447.8
Other result after taxation	-46.2	-38.8
Total result after taxation	**676.3**	**409.1**

Of the result on participating interests, an amount of € 719.9 million (2005: € 448.6 million) refers to Group companies and € 2.6 million (2005: € -0.8 million) to other participating interests.

Company balance sheet at year end 31 December before appropriation of profit

In millions of euros	2006	2005
Goodwill (I)	137.4	132.5
Total intangible fixed assets (I)	**137.4**	**132.5**
Investment in subsidiaries (II)	5,258.6	4,451.7
Investments in associates (II)	21.5	19.1
Total financial fixed assers	**5,280.2**	**4,470.8**
	5,417.6	**4,603.2**
Equity securities (III)	284.6	312.4
Long-term loans (III)	104.1	89.7
Short-term loans (III)	2.5	3.8
Receivables (IV)	950.6	1,002.3
Cash and cash equivalents	0.6	20.0
Total current assets	**1,342.4**	**1,428.2**
Total assets	**6,759.9**	**6,031.4**
Share capital (V)	107.1	107.1
Ordinary share premiums (V)	91.8	91.8
Participating interest reserve (V)	2,273.3	1,903.3
Revaluation reserve (V)	1,516.0	1,252.8
Other reserves (V)	443.5	311.2
Proposed dividend (V)	173.9	107.9
Total equity	**4,605.7**	**3,774.1**
Provisions (VII)	**55.8**	**35.5**
Subordinated debt (VI)	408.4	403.4
Long-term borrowings	1,149.0	1,356.7
Total long-term liabilities	**1,557.4**	**1,760.0**
Other liabilities (VIII)	541.1	461.8
Total liabilities	**2,154.3**	**2,257.3**
Total equity and liabilities	**6,759.9**	**6,031.4**

3.2.1 Notes to the company financial statements

3.2.1.1 Accounting policies

The company financial statements of Delta Lloyd NV are prepared in accordance with the legal requirements of Title 9 of Book 2 of the Netherlands Civil Code. As the income statement of Delta Lloyd NV for 2006 is incorporated in the consolidated financial statements, only an abridged company income statement is given here in accordance with article 2:402 of the Netherlands Civil Code.

During 2006 changes in accounting policies took place at OHRA NV and Delta Lloyd Life in Belgium. These changes in accounting policies have an impact on the result and the shareholders' equity of these group companies. As a consequence, the equity and associates lines in the financial statements of Delta Lloyd NV changed with retroactive force in the 2005 financial year. The impact of the change in accounting policies on the various lines in the financial statements is as follows:

Impact of changes in accounting policies in 2005

In millions of euros	2005 before changes in accounting policies	2005 after changes in accounting policies
Balance sheet		
Investment in subsidiaries	4,466.9	4,451.7
Participating interests reserve	1,918.5	1,903.3
Income statement		
Result on associates	459.7	447.8

Impact of changes in accounting policies in 2006

In millions of euros	2006 before changes in accounting polices	2006 after changes in accounting policies
Balance sheet		
Investment in subsidiaries	5,250.2	5,258.6
Participating interests reserve	2,264.9	2,273.3
Income statement		
Result on associates	714.0	722.4

The cumulative impact of changes in accounting policies for years prior to 2005 totals € 3.4 million.

For a more detailed explanation of the changes in accounting policies, please refer to the accounting policies included in the consolidated financial statements.

The option to use the same accounting policies in the company financial statements as in the consolidated financial statements, as described in article 2:362 of the Netherlands Civil Code, is used. As a consequence, the accounting policies in the company financial statements are the same as the consolidated financial statements under note A to AE, except for the following:

Investments in subsidiaries

Investments in subsidiaries in which Delta Lloyd Group has a controlling interest are measured at the net asset value. The net asset value is determined by measuring the assets, provisions and liabilities and calculating the net result using the same accounting policies as applied in the consolidated financial statements.

When determining the net asset value, the adjustments recognised on the first time adoption of IFRS are taken into account.

3.2.1.2 (I) Goodwill

Goodwill carrying value for the year ending 31 December

In millions of euros	2006	2005
Gross amount		
At 1 January	**132.5**	**133.7**
Additions	-	-
Disposals	-	-
Other adjustments	5.0	-1.3
At 31 December	**137.4**	**132.5**
Accumulated impairment		
At 1 January	**-**	**-**
Impairment losses	-	-
Disposals	-	-
At 31 December	**-**	**-**
At 31 December	**137.4**	**132.5**

Goodwill on Delta Lloyd Group investments in associates is included in the carrying amount of the associates.

The other movements relate to the outperformance fee of the acquisition of ABN AMRO Insurance division.

As explained in accounting policy O, the carrying amount of goodwill is reviewed at least annually or when circumstances or events indicate there may be uncertainty concerning this value. For the purpose of the impairment test, assets are grouped at the lowest level for which there are separately identifiable cash flows. The outcome of the tests led to did not lead to an impairment of goodwill.

Goodwill has been tested for impairment in these businesses as follows:

The recoverable amount of the goodwill has been determined based on a future cash flow calculation. This calculation is an estimation and is based on the discounted expected future cash flows from the operations over a 25-year period. Goodwill relating to the acquisition of the ABN AMRO Insurance division has also been tested using the discounted cash flow method. Cash flows have been discounted over the remaining life of the contract with ABN AMRO Bank (26 years).

Expected cash flows for future periods have been obtained from the plan figures for the 2007-2009 period. Expected cash flows for later periods have been extrapolated, taking into account the growth rate.

Key assumptions used for the calculation were:

- Growth rate represents the rate used to extrapolate new business contributions beyond the business plan period, and is based on management's best estimate of future growth. The rate is in line with industry expectations, but is estimated conservatively at a rate of 0.0%
- Risk-adjusted discount rate represents the rate used to discount expected profits from future new business. The discount rate is a combination of a risk-free rate and a risk margin to make prudent allowance for the risk that experience in future years may differ from that assumed, and is set at 6.7%

3.2.1.3 (II) Investments in subsidiaries and associates

Outline of major companies at year end 31 December

Aviva plc, London is the ultimate holder of Delta Lloyd NV's entire ordinary share capital. In addition, Stichting Nuts Ohra holds an interest in preference shares

The major group companies in which Delta Lloyd NV has an interest are (100% unless otherwise stated):

Holding

Delta Lloyd Verzekeringen NV (Amsterdam)

Delta Lloyd Bankengroep NV (Amsterdam)

Delta Lloyd Deutschland AG (Wiesbaden, Germany)

Delta Lloyd Houdstermaatschappij België BV (Arnhem)

Delta Lloyd Antillen NV (Curacao, Netherlands Antilles)

Delta Lloyd ABN AMRO Verzekeringen Holding BV (51%) (Zwolle)

Delta Lloyd Services BV (Amsterdam)

Amstelhuys NV (Amsterdam)

OHRA NV (Arnhem)

Life

Delta Lloyd Levensverzekering NV (Amsterdam)

OHRA Levensverzekeringen NV (Arnhem)

Delta Lloyd Lebensversicherung AG (99.729%) (Wiesbaden, Germany)

Delta Lloyd Levensherverzekeringsmaatschappij BV (Amsterdam)

NV Nationaal Spaarfonds (The Hague)

Delta Lloyd Vastgoed Fonds NV (Amsterdam)

Delta Lloyd Life NV (Elsene-Brussels, Belgium)

ABN AMRO Levensverzekering NV (51%) (Zwolle)

Commercial Union Life SA (Luxemburg, Luxemburg)

Investment funds

Delta Lloyd Rente Fonds NV (66.1%) (Amsterdam)

Delta Lloyd Investment Fund NV (96.1%) (Amsterdam)

OHRA Aandelenfonds NV (61.3%) (Arnhem)

Daedalus plc (Dublin, Ireland)

General

Delta Lloyd Schadeverzekering NV (Amsterdam)

OHRA Schadeverzekeringen NV (Arnhem)

B. Franco Mendes BV (Amsterdam)

Delta Lloyd Schadeverzekering NV Volmachtbedrijf BV (Amsterdam)

O.W.J. Schlencker Assuaradeuren BV (Amsterdam)

'Praevenio' Technische Verzekeringen BV (Amsterdam)

OHRA Belgium NV (Sint-Pieters-Woluwe-Brussels, Belgium)

ABN AMRO Schadeverzekering NV (51%) (Zwolle)

ABN AMRO Assuradeuren BV (51%) (Zwolle)

Health

Delta Lloyd Zorgverzekering NV (The Hague)

OHRA Ziektekostenverzekeringen NV (Arnhem)

Bank

Delta Lloyd Bank NV (Amsterdam)

Delta Lloyd Vermögensverwaltung GmbH (Wiesbaden, Germany)

The movement in the company's investments in its subsidiaries and associates is as follows:

In millions of euros	Participating interests in group companies	Participating interests with significant influence	Participating interests with significant influence	Receivables from associates	Total
At 1 January 2005	**3,640.7**	**855.8**	**23.3**	**-**	**4,519.8**
Adjustments for change in accounting policy OHRA	-3.4	-	-	-	-3.4
Restated opening balance 2005	**3,637.3**	**855.8**	**23.3**	**-**	**4,516.4**
Group acquisitions	18.1		-		18.1
Group disposals	-12.1		-		-12.1
Result for the year	448.6		-0.8		447.8
Withdrawn dividend	-280.6		-		-280.6
New capital	28.5		-		28.5
Redemption of share capital	-		-0.2		-0.2
Fair value gains and losses in equity	612.7		-		612.7
Movement in receivables from associates and participations	-	225.6	-	7.5	233.1
Other	-0.8	-	-3.3	-	-4.1
At 31 December 2005	**4,451.7**	**1,081.4**	**19.1**	**7.5**	**5,559.7**
Group acquisitions	-	-	-		-
Group disposals	14.3	-	-0.6		13.6
Result for the year	719.9	-	3.1		722.9
Withdrawn dividend	-349.8	-	-		-349.8
New capital	161.5	-	-		161.5
Redemption of share capital		-	-		-
Fair value gains and losses in equity	260.3	-	-		260.3
Movement in receivables from associates and participations		-52.6	-	-7.5	-60.1
Other	0.8	-	-		0.8
At 31 December 2006	**5,258.6**	**1,028.8**	**21.5**	**-**	**6,309.0**

3.2.1.4 (III) Investments

Statement of movements in investments in equity securities

In millions of euros	2006	2005
At 1 January	**312.4**	**231.1**
Additions	86.0	260.2
Disposals	-122.0	-249.5
Fair value gains and losses	11.4	68.2
Other adjustments	-3.3	2.5
At 31 December	**284.6**	**312.4**

The following is a summary of the cost/amortised cost, gross unrealised gains and losses and fair value of financial investments:

In millions of euros	Cost / Amortised cost	Difference in value	Fair value 2006
Loans	106.6	2.6	109.2

In millions of euros	Cost / Amortised cost	Difference in value	Fair value 2005
Loans	93.4	1.1	94.5

3.2.1.5 (IV) Receivables

Receivables at 31 December

In millions of euros	2006	2005
Receivables from group companies	922.3	988.0
Receivables and other financial assets	25.5	14.3
Prepayments and accrued income	2.9	0.0
Receivables	**950.6**	**1,002.3**

3.2.1.6 (V) Equity

Equity

In millions of euros	2006	2005
Share capital	**107.1**	**107.1**
Ordinary share premiums		
At 1 January	**91.8**	**91.8**
Movements	-	-
At 31 December	**91.8**	**91.8**
Participating interests reserve		
At 1 January 2005		**1,728.7**
Adjustments for change in accounting policy OHRA		-3.4
Restated opening balance 2005	**1,903.3**	**1,725.4**
Movements in result on associates	719.9	447.8
Dividends	-349.8	-280.6
Other adjustments	-	10.6
At 31 December	**2,273.4**	**1,903.3**
Revaluation reserves		
At 1 January	**1,252.8**	**610.7**
Movements in the value of investments	11.4	56.1
Movements in the value of participating interest	260.3	610.7
Other adjustments	-	-12.3
Taxes on the above movements	-8.5	-12.4
At 31 December	**1,516.0**	**1,252.8**
Other reserves		
At 1 January	**311.2**	**175.6**
Result and dividends received	306.2	241.8
Proposed dividend	-173.9	-107.9
Other adjustments		1.7
At 31 December	**443.5**	**311.2**
Proposed dividend		
At 1 January	**107.9**	**82.3**
Dividends and appropriation of profit	173.9	107.9
Dividends paid to shareholders	-107.9	-82.3
At 31 December	**173.9**	**107.9**
Total equity	**4,605.7**	**3,774.1**

In the share premium an amount of € 47.3 million (2005: € 47.3 million) is included equal to the value of a warrant. This warrant is linked to the € 250 million subordinated loan. The warrant has a term of 35 years, with an optional extension of 25 years, and entitles the holder to 270,861 Delta Lloyd NV ordinary shares with a face value of € 9.08 each. (see note 30 of the consolidated financial statements)

In accordance with the accounting policies applied to financial instruments, the preference share dividend is included in the income statement under (interest) expenses or taken to equity in the period in which they are declared and approved, dependent on the classification of the financial instruments.

The details of share capital are outlined in note 20 of the consolidated financial statements.

The extent to which reserves included in the overview may be distributed is explained below.

Participating interests reserve

This reserve includes profits from participating interests, and may not be freely distributed, partly due to solvency requirements relating to participating interests. In this reserve an amount of € 8.7 million legal reserve is included according to article 2:365 of the Netherlands Civil Code.

Revaluation reserve

The revaluation reserve includes unrealised movements in the value of investments held by the holding company. It also includes direct movements in the equity of associates that cannot be distributed without restrictions.

Other reserves

The item other reserves includes dividends received from subsidiaries and the result of the holding company. The reserves are freely distributable.

3.2.1.7 (VI) Subordinated loans

Carrying amounts

The following table provides information on the maturity periods and effective interest rates of the company's subordinated loans and preference shares.

Subordinated loans are considered current if the maturity dates or the contractual repricing dates are within one year.

Contractual repricing or maturity dates 2006

In millions of euros	More than five years	Total 2006
Subordinated debt	399.1	399.1
Preference shares	9.3	9.3
Total borrowing	**408.4**	**408.4**

Contractual repricing or maturity dates 2005

In millions of euros	More than five years	Total 2005
Subordinated debt	394.0	394.0
Preference shares	9.3	9.3
Total borrowing	**403.4**	**403.4**

The 2.5% perpetual subordinated loan notes were issued to finance the acquisition of NUTS OHRA Beheer BV in 1999. They are convertible into ordinary shares in Delta Lloyd NV, should there be a public offering of those shares. These loan notes have a face value of € 489.9 million but, because they are considered to be perpetual, their carrying value is € 172.4 million, calculated in 1999 and based on the future cash flows in perpetuity discounted back at a market rate of interest. The rate of interest paid on the notes is being gradually increased to a maximum of 2.76% in 2009. The fair value of the subordinated loan is € 214.9 million (2005: € 232.6 million).

A 5% 30 year € 21.7 million subordinated loan cum warrant, available for drawing in five tranches of € 4.3 million each, beginning on 1 September 2003 and ending on 7 May 2006. The loan matures on 1 May 2038. The warrant entitles the holder to 23,553 Delta Lloyd NV ordinary shares with a face value of € 9.08 each. The fair value at the end of 2006 is € 21.7 million (2005: € 17.4 million)

Aviva plc

A 5% 30-year € 250 million subordinated loan cum warrant. The fair value of the subordinated loan is € 216.1 million (2005: € 237.0 million).

As outlined in note 20, the issued convertible preference shares A 1,026,087 (2005: 1,026,087) with a face value of € 9.08 per share are reported as convertible loan.

3.2.1.8 (VII) Provisions

Provisions at 31 December

In millions of euros	Restructuring provisions	Other provisions	Total
At 1 January	**35.5**	**-**	**35.5**
Movement in provisions	-	20.3	20.3
At 31 December	**35.5**	**20.3**	**55.8**

The reorganisation provision of € 33.5 million relates to the discontinuation of the activities of OHRA Belgium NV, a general insurer operating in the Belgian market. The entity will be wound up as soon as the remaining claim files have been closed.

The other provisions mainly relate to employee benefits.

3.2.1.9 (VIII) Other liabilities

Other liabilities at 31 December

In millions of euros	2006	2005
Current tax	368.1	297.0
Expenses payable	34.0	38.0
Accrued interest	18.5	18.3
Other taxation and social premiums	-	-2.3
Debts to group companies	101.4	86.7
Other	19.1	24.0
At 31 December	**541.1**	**461.8**

Liabilities with a term to maturity of more than 1 year amount to € 253.6 million (2005: € 265.6 million).

Current tax assets and liabilities at year end 31 December

In millions of euros	2006	2005
Current tax liabilities	290.5	217.3
Deferred tax liabilities	77.6	79.7
Current tax liabilities	**368.1**	**297.0**

Deferred tax assets and liabilities at year end 31 December

In millions of euros	2006	2005
Unrealised gains and losses on investments	29.7	60.5
Provisions and other timing differences	-	-1.2
Other temporary differences	47.9	20.4
Net deferred tax asset / liability	**77.6**	**79.7**

The movement in net deferred tax assets / liabilities was as follows:

In millions of euros	2006	2005
At 1 January	**79.7**	**-11.3**
Intercompany transfers	-	5.5
Amounts charged / credited to result	-10.6	73.1
Amounts charged / credited to equity	8.5	12.3
At 31 December	**77.6**	**79.7**

The company has no unrecognised tax losses.

In 2006 and 2005, no deferred income tax liabilities were recognised for temporary differences on account of investments in subsidiaries, because the company cannot control the timing of the reversal of these differences.

3.2.1.10 (IX) Related party transactions

Services provided to related parties

In millions of euros	Income earned in year 2006	Receivable at year end 2006	Income earned in year 2005	Receivable at year end 2005
Associated companies	-	-	-	7.5
Subsidiaries	13.6	1,028.8	151.9	1,081.4
Total	**13.6**	**1,028.8**	**151.9**	**1,088.9**

Services provided by related parties

In millions of euros	Expenses incurred in year 2006	Payable at year end 2006	Expenses incurred in year 2005	Payable at year end 2005
Associated companies	-	-	-	-
Subsidiaries	60.0	1,250.4	123.6	1,356.7
Total	**60.0**	**1,250.4**	**123.6**	**1,356.7**

Related party transactions comprise intercompany loans between the holding and its subsidiaries, including interest. All related party transactions occur on an arm’s-length basis.

Receivables from associates are further explained in section I of the explanatory notes to the company financial statements.

The related parties' payables are not secured and no guarantees were received in respect thereof. The payables will be settled in accordance with normal credit terms.

Details of receivables from associates can be found in note I to the company financial statements.

All transactions with related parties occur on an arm's length basis.

3.2.1.11 (X) Off-balance sheet commitments

Off-balance sheet liabilities

In millions of euros	2006	2005
Investments	3.4	3.9
Contingent liabilities	348.3	310.9
	351.7	**314.9**

Off-balance sheet commitments consist mainly of IT services outsourcing contracts in the Netherlands until the end of 2011. The agreed minimum payment is € 57.9 million for 2007 and € 231.7 million for 2008 and beyond.

3.2.1.12 (XI) Employee information

Employee information for the year ending 31 December

Number in FTEs	2006	2005
Permanent staff	211	196
Temporary staff	21	24
Total	**232**	**220**

Staff costs for the year ending 31 December

In millions of euros	2006	2005
Salaries	23.7	22.9
External staff	4.8	3.7
Social securities	1.8	1.7
Pension obligations	4.3	1.5
Profit sharing and incentive plans	24.0	1.4
Other	3.4	2.9
Total staff costs	**61.9**	**34.1**

Information concerning the emoluments of members of the Executive Board and Supervisory Board are included in note 8 of the consolidated financial statements.

All staff are employed by Delta Lloyd Services BV. The costs included in the table above represent recharges from Delta Lloyd Services to the company. This recharge is based on allocated staff numbers and includes all related expenditure.

Amsterdam, 23 February 2007

Execuitve board:

N.W. Hoek, chairman
P.J.W.G. Kok
P.K. Medendorp
H.H. Raué

Supervisory board:

R.H.P.W. Kottman, chairman
V.A.M. van der Burg
C.P.J. Appeldoorn
P.G. Bouwmeester
E.J. Fischer
J.G. Haars

R.J. Harvey
M.H.M. Smits
T. Thiam

3.3 Other information

3.3.1 Dividends and appropriation of profits

Profit appropriation provisions in the articles of association

Article 35, relating to the appropriation of result, if appropriate here, specifies that firstly a dividend of 2,5% on the fully paid-up and issued preference shares A should be added to the dividend reserve A (and if applicable, to the dividend reserve A). This percentage is increased annually by one percentage point of the last applicable percentage with effect from the financial year 2000 up to and including 2009.

From the profit, such additions shall be made to reserves as are determined by the Executive Board, subject to the approval of the Supervisory Board.

From the profit remaining after the aforementioned additions to reserves, a dividend shall be paid on the face value of all the preference B shares outstanding, at a percentage that is related to the average redemption yield on Dutch State loans with a weighted average remaining term to maturity of five years, recalculated after every period of five years of the issue of the preference share. The remaining profit shall be paid to the holders of ordinary shares in proportion to the shares they hold.

Profit appropriation

Upon adoption of the financial statements, the profit of € 676.3 million is added to the reserves. It is proposed to pay a dividend of € 173.9 million from these reserves.

Dividends

In accordance with article 35 of the Articles of Association, a dividend of € 173.9 million is proposed for 2006 (2005: € 107.9 million). The distribution amounts to € 51.77 (2005: € 31.77) per ordinary share with a face value of € 9.08, and to € 18.02 (2005: € 18.02) per preference share B with a face value of € 453.78.

3.3.2 Auditor’s report

To the General Meeting of Shareholders of Delta Lloyd NV

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2006 of Delta Lloyd NV, Amsterdam as set out in section 3.1 and 3.2. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2006, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2006, the company profit and loss account for the year then ended and the notes.

The directors' responsibility

The directors of the company are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board reportin accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements
In our opinion, the consolidated financial statements give a true and fair view of the financial position of Delta Lloyd NV as at 31 December 2006, and of its result and its cash flows for in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements
In our opinion, the company financial statements give a true and fair view of the financial position of Delta Lloyd NV as at 31 December 2006, and of its result in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements
Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 23 February 2007
PricewaterhouseCoopers Accountants NV

G.J. Heuvelink RA

4 Other information

In this chapter the Delta Lloyd Group European Embedded Value (EEV) is presented for the life and other related businesses. Furthermore contact details and senior management of Delta Lloyd Group is presented.

4.1 Alternative method of reporting life insurance

Basis of preparation - EEV basis

In this section the Delta Lloyd Group European Embedded Value (EEV) is presented for the life and other related businesses. The EEV methodology adopted is consistent with the EEV Principles introduced at the CFO Forum in May 2004.

In the Executive Boards' opinion, the EEV basis provides an accurate reflection of the performance of the Delta Lloyd Group's life and related operations year on year. The Executive Board considers that the EEV methodology represents a fair basis of reporting the underlying value in Delta Lloyd Group's life business and the underlying drivers of performance. This basis allows for the impact of uncertainty in the future investment returns more explicitly and is consistent with the way the business is priced and managed.

Covered business

The EEV calculations cover the following lines of business: life insurance, savings, pensions and annuity business written by the Group's life insurance subsidiaries, including managed pension fund business and Delta Lloyd Group's share of the other life and related business written in its associated undertakings. Together these businesses are referred to as "Life and related businesses".

New business premiums

New business premiums include:

- Premiums arising from the sales of new contracts during the period;
- Non-contractual additional premiums; and
- Expected renewals on new contracts and expected future contractual alterations to new contracts.

For products sold to individuals, premiums are considered to represent new business in certain circumstances, i.e. where a new contract has been signed, or where underwriting has been performed. Renewal premium includes contractual renewals, non-contractual variations that are reasonably predictable and recurrent single premiums that are pre-defined and reasonably predictable.
For Group products, new business includes new contracts and increases to aggregate premiums under existing contracts. Renewal premiums are based on the level of premium received during the reporting period and allow for premiums expected to be received beyond the expiry of any guaranteed premium rates.

Methodology

Overview

Under the EEV methodology, profit is recognised as it is earned over the life of products defined within covered business. The total profit recognised over the lifetime of a policy is the same as under the modified statutory basis of reporting, but the timing of recognition is different.

Calculation of the embedded value

The shareholders' interest in the life and related businesses is represented by the embedded value. The embedded value is the total of the net worth of the life and related businesses and the value of in-force covered business. Calculations are performed separately for each business and are based on the cash flows of that business, after allowing for both external and intra-group reinsurance.
The embedded value is calculated on an after-tax basis applying current legislation and practice together with future known changes.

Net worth

The net worth is the market value of the shareholders' funds determined on a statutory solvency basis after adding back any non-admissible assets, and consists of the required capital and free surplus. The level of required capital for each business, 150% of the EU minimum solvency requirement, reflects the level of capital considered by the directors to be appropriate to manage the business, incorporating the Group's internal assessment of the level of market, insurance and operating risk inherent in the underlying products. The same definition of required capital is used for both existing and new business. The free surplus comprises the market value of shareholder assets in excess of local statutory reserves and required capital.

Value of in-force covered business

The value of in-force covered business is the present value at the appropriate risk discount rate (which incorporates a risk margin) of the distributable profits to shareholders arising from the in-force covered business projected on a best estimate basis, less a deduction for the cost of holding the required level of capital. Future distributable profits will depend on experience in a number of areas such as investment return, discontinuance rates, mortality, administration costs, as well as management and policyholder actions. Releases to shareholders arising in future years from the in-force covered business and associated required capital can be projected using best estimate assumptions of future experience.

Time value of options and guarantees

The value of in-force covered business includes an allowance for the impact of financial options and guarantees based on best estimate assumptions (the intrinsic value) and from additional costs related to the variability of investment returns (the time value). The intrinsic value is included in the underlying value of the in-force covered business using deterministic assumptions. The time value of financial options and guarantees has been determined using stochastic modelling techniques. Stochastic modelling involves projecting the future cash flows of the business under thousands of economic scenarios that are representative of the possible future outcomes for market variables such as interest rates and equity returns. Allowance is made, where appropriate, for the effect of management and/or policyholder actions in different economic conditions on future assumptions such as asset mix, bonus rates and surrender rates.

The time value is determined by deducting the average value of shareholder cash flows under these economic scenarios from the deterministic shareholder value under best estimate assumptions.

Cost of capital

The cost of holding required capital is the difference between the required capital and the present value at the appropriate risk discount rate of the projected release of the required capital and investment earnings on the assets deemed to back the required capital. The assets regarded as covering the required capital are those that the operation deems appropriate.
The value of in-force covered business includes the capitalised value of profits and losses arising from subsidiary companies providing administration, investment management and other services to the extent that they relate to covered business. This is referred to as the "look through" into service company expenses. In addition, expenses arising in holding companies that relate directly to acquiring or maintaining covered business have been allowed for. Where external companies provide services to the life and related businesses, their charges have been allowed for in the underlying projected cost base.

Risk discount rates

Under the EEV methodology, a risk discount rate (RDR) is required to express a stream of expected future distributable profits as a single value at a particular date (the present value). It is the interest rate that an investment equal to the present value would have to earn in order to replicate exactly the stream of future profits. The RDR is a combination of a risk-free rate to reflect the time value of money plus a risk margin to make prudent allowance for the risk that experience in future years may differ from that assumed. In particular, a risk margin is added to allow for the risk that expected additional returns on certain asset classes (e.g. equities) are not achieved.
Risk discount rates for the Group's life businesses have been calculated using a risk margin. The risk margin is calculated using a gross risk-free interest rate, an equity risk margin, a market-assessed risk factor (beta), and an allowance for the gearing impact of debt financing (including subordinated debt). The market-assessed risk rate captures the market's view of the effect of all types of risk on the Group's business, including operational and other non-economic risk. The RDR is only one component of the overall allowance for risk in EEV calculations. Risk is also allowed for in the cost of holding statutory reserving margins, additional required capital and in the time value of options and guarantees. Within each business, a constant RDR has been applied in all future time periods and in each of the economic scenarios underlying the calculation of the time value of options and guarantees. At each valuation date, the risk margin is reassessed based on the current economic factors and is updated only if a significant change has occurred. In particular, changes in risk profile arising from movements in asset mix are allowed for via the update risk margin calculation.

Participating business

Future regular bonuses on participating business are projected in a way that is consistent with current bonus rates and expected future returns on assets are deemed to back the policies. For profit sharing business where policy benefits and shareholder value depend on the timing of realising gains, apportionment of unrealised gains between policyholders' benefits and shareholders reflect contractual requirements as well as existing practice.
Under certain economic scenarios where additional shareholder contributions are required to meet policyholder payments, the average additional cost has been included in the time value of options and guarantees.

Consolidation adjustments

The effect of transactions between our life companies, such as loans and reinsurance arrangements, has been included in results split by company in a consistent manner. Elimination on consolidation is therefore not required. The capitalised value of the future profits and losses from such service companies are included in the embedded value and new business contribution calculations for the relevant company, but the net assets (representing historical profits and other amounts) remain under non-insurance or fund management.

Components of life EEV return

The life EEV return comprises the following components:

- New business contribution written during the period including value added between the point of sale and end of the period;
- Profit from existing business equal to:
  - the expected return on the value of the in-force covered business at the beginning of the period,

  - experience variances caused by the differences between the actual experience during the period and expected experience based on the operating assumptions used to calculate the start of year value,
  - the impact of changes in operating assumptions including risk margins;
- Expected investment return on the shareholders' net worth, based upon assumptions applied at the start of the year;
- Investment return variances caused by differences between the actual return in the period and the expected return based on economic assumptions used to calculate the value at the beginning of year; and
- The impact of changes in economic assumptions in the period.

The life EEV operating return comprises the first three of these components and is calculated using economic assumptions as at the start of the year and operating (demographic, expenses and other) assumptions as at the end of the year.

Life EEV Operating return

In millions of euros	VIF (incl. CoC)	TVOG	Net Worth	Total
New business contribution	113.1	-22.4	-63.5	27.2
Expected return for the period	-15.8	15.2	264.5	263.9
Experience variances	16.5	-3.9	-19.9	-7.3
Impact of operating assumption changes	52.8	-18.1	0.0	34.7
Development costs	0.0	0.0	0.0	0.0
Life EEV operating return	**166.6**	**-29.2**	**181.1**	**318.5**

New business contribution

The following tables set out the premium volumes and contribution from new business written by the life businesses, consistent with the definition of new business. The contribution generated by new business written during the period is the present value of the projected stream of after tax distributable profit from that business. New business contribution has been calculated using the same economic assumptions as those used to determine the embedded value as at the start of the year and operating assumptions used to determine the embedded value as at the end of the year, and is rolled forward to the end of the financial period.

New business sales are expressed on two bases: annual premium equivalent (APE) and the present value of future new business premiums (PVNBP). The PVNBP calculation is equal to total single premium sales received in the year plus the discounted value of regular premiums expected to be received over the term of the new contracts, and is expressed at the point of sale. The premium volumes and projection assumptions used to calculate the present value of regular premiums for each product are the same as those used to calculate new business contribution, so the components of the new business margin are on a consistent basis.

In millions of euros (unless indicated otherwise)	NBC post CoC	APE	PVNBP	Margin%
Individual Pensions	2.8	12.1	123.9	2,26%
Group Pensions	21.3	164.3	1,498.5	1,42%
Annuities	1.1	73.4	612.2	0,18%
Bonds and Savings	19.5	124.1	1,053.4	1,85%
Other	-17.5	22.8	160.9	-10,89%
Total	**27.2**	**396.7**	**3,448.9**	**0,79%**

Experience variances

Experience variances include the impact of the difference between expense, demographic and persistency assumptions, and actual experience incurred in the year. Also included are variances arising from tax, where such variances are due to management action.

Operating assumption changes

Changes in operating assumptions are made when the assumed future levels of expenses, mortality or other operating assumptions are expected to change permanently.

Analysis of movement in life businesses embedded value

The table below provides an analysis of the movement in embedded value for the life businesses. The analysis is shown separately for net worth and the value of in-force covered business, and includes amounts transferred between these categories. Adjustments to the EV are due to model changes and corrections of errors. The transfer from life businesses to other segments consists of service company profits and losses during the reported period that have emerged from the value of in-force. Since the "look through" into service companies includes only future profits and losses, these amounts must be eliminated from the closing embedded value.

In millions of euros	VIF (incl. CoC)	TVOG	Net Worth	Total
Embedded Value as reported	**1,599.0**	**-172.1**	**3,207.5**	**4,634.5**
Adjustments	66.3	10.0	-60.9	15.4
Opening Embedded Value	**1,665.3**	**-162.1**	**3,146.6**	**4,649.8**
Life EEV operating return	**166.6**	**-29.2**	**181.1**	**318.5**
Exceptional items outside operating return	0.0	0.0	0.0	0.0
Variances in economic/investment experiences	-483.0	-45.3	593.0	64.7
Impact of economic assumption changes	542.4	20.1	19.9	582.4
Total capital adjustments	0.0	0.0	167.2	167.2
Total exchange adjustments	0.0	0.0	0.0	0.0
Closing Embedded Value	**1,891.3**	**-216.5**	**4,107.8**	**5,782.6**

The shareholders' net worth is the market value of the shareholders' funds determined on a statutory solvency basis and adjusted to add back any non-admissible assets. The value of in-force covered business includes the effect of holding shareholders' capital to support the level of required capital and allowing for projected future releases. This impact reduces the value of in-force covered business.

Time value of options and guarantees

The embedded value is reduced to allow for the time value of options and guarantees relating to covered business. This relates mainly to maturity guarantees on unit-linked products and interest rate guarantees on traditional individual and group profit sharing business.

Principal economic assumptions - deterministic calculations

Economic assumptions are derived actively, based on market yields on risk-free fixed interest assets at the end of each reporting period. The same margins are applied to gross risk-free yields to obtain investment return assumptions for ordinary shares and property and to produce risk discount rates. Expense inflation is derived as a fixed margin above a local measure of long-term price inflation. Risk-free rates and price inflation have been harmonised. Required capital is shown as a multiple of the EU statutory minimum solvency margin.
Investment return assumptions are generally derived by major product class, based on hypothecating the assets at the valuation date. Assumptions about future investment mix are consistent with long-term plans. In most cases, the investment mix is assumed to continue unchanged throughout the projection period.
The principal economic assumptions used are as follows:

	2006	2005
Risk discount rate	6,7%	6,0%
Fixed interest	4,0%	3,3%
Equity	7,0%	6,3%
Property	6,0%	5,3%
Future expense inflation	2,5%	2,5%
Tax rate Netherlands	25,5%	29,1%
Target Capital	150,0%	150,0%

Other economic assumptions

Bonus rates on participating business have been set at levels consistent with the economic assumptions.

Principal economic assumptions - stochastic calculations

This section describes the models used to generate future investment simulations, includeing some sample statistics for the simulations used.

Model

Government nominal interest rates are generated by a model that projects a full yield curve at annual intervals. The model assumes that the logarithm of the short rate follows a mean reverting process subject to two normally distributed random shocks. This ensures that nominal interest rates are always positive, the distribution of future interest rates remains credible, and the model can be calibrated to give a good fit to the initial yield curve.
The total annual return on equities is calculated as the return on one-year bonds plus an excess return. The excess return is assumed to have a lognormal distribution. The model also generates property total returns and real yield curves.

Asset classes

The most important assets are fixed rate bonds of various durations and credits.

Taxation

Current tax legislation and rates have been assumed to continue unchanged, except where changes in future tax rates have been announced.

Non economic assumptions

Demographic assumptions

Assumed future mortality, morbidity and lapse rates have been derived from an analysis of recent operating experience. Where appropriate, surrender and option take-up rate assumptions that vary according to the investment scenario under consideration have been used in the calculation of the time value of options and guarantees, based on the Group's assessment of likely policyholder behaviour in different investment scenarios.

Expense assumptions

Management expenses and operating expenses of holding companies attributed to life and related businesses have been included in the EEV calculations and split between expenses relating to the acquisition of new business, the maintenance of business in-force and project expenses.
Future expense assumptions include an allowance for maintenance expenses and a proportion of recurring project expenses. Certain expenses of an exceptional nature, when they occur, are identified separately and are generally charged as incurred. Future productivity gains have not been anticipated. Where subsidiary companies provide administration, investment management or other services to businesses included in the EEV calculations, the value of profits or losses arising from these services have been included in the embedded value and new business contribution.

Other

It has been assumed that there will be no changes to the methods and bases used to calculate the statutory technical provisions and current surrender values, except where driven by varying future investment conditions under stochastic economic scenarios.

4.2 Senior Management

Delta Lloyd Group senior management

Supervisory Board as at 1 january 2007

R.H.P.W. (René) Kottman, chairman
V.A.M. (Vincent) van der Burg, deputy chairman
C.P.J. (Peter) Appeldoorn
P.G. (Pamela) Boumeester
E.J. (Eric) Fischer
J.G. (Jan) Haars
R.J. (Richard) Harvey
M.H.M. (Marcel) Smits
T. (Tidjane) Thiam

Executive Board as at 1 january 2007

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

Company secretary

F. (Faïza) Dadi

External auditor

PricewaterhouseCoopers Accountants NV

Central works council

J.M.A.C. (Hans) van Oers, chairman
E.P.F. (Ewout) Jansen, vice chairman
E.Y. (El Jazid) Aitchrif
H. (Henk) Beerda
R.C.G. (Ruud) de Groot
M.G.A. (Marco) Grootaarts
R. (Robert) Heinsbroek
R. (Ruud) Kamstra
G.J.F. (Ardine) Koppenaal
J. (Jaap) Pronk
M. (Marga) Spijker-Goederee
R. (Roy) Suurbier
G.G.L. (Guus) Verheul

Central works council secretariat
D.A.C.J. (Dominique) Fragu, secretary
M.A. (Ria) de Kruijf-Weisscher, secretary

Corporate staff
D.S. (David) Brilleslijper, Corporate Communications
J.H.G. (Jan) Bruineman, Group Tax
I.M.A. (Ingrid) de Graaf, Sharing Programme
E.W. (Liesbeth) Galesloot-Vaal, Group Legal
R.J. (Rolf) Kooijman, Group Finance & Control
L.J.M. (Laurens) Roodbol, Group Actuarial & Risk Management (until 1 April 2007)
B.A. (Ben) Sinnige, Group HRM
N. (Nita) Studen-Kiliaan, Corporate Development
J.C.A. (John) Tros, Group Procurement
L.M. (Leon) van Riet, Chief Information Officer
W.A. (Wim) Weima, Group Infrastructure Management
B. (Boudewijn) van der Woerd, Group Audit & Integrity

General Insurance Product Group
J.W. (Hanneke) Jukema

Corporate Relationships
A.C. (Ad) Rijken

Management of Delta Lloyd Insurance

Delta Lloyd Insurance
F. (Frank) Blankers, chairman
M.M. (Maarten) de Groof, Life (until 1 February 2007)
T.J.A. (Theo) Krekel, Finance, Planning & Control
J.G. (Jos) Peeters, Marketing & Sales
H.H. (Herman Hein) Roozen, General
O.W. (Onno) Verstegen, Life (from 1 February 2007)
I.A. (Ingrid) Visscher, Human Resources Management (until 1 April 2007)

Delta Lloyd Life
M.M. (Maarten) de Groof, chairman (until 1 February 2007)
O.W. (Onno) Verstegen, chairman (from 1 February 2007)
E.A.A. (Emiel) Roozen
H. (Henk) Otten

Delta Lloyd General

H.H. (Herman Hein) Roozen
L. (Leo) van Herk

Marketing & Sales

J.G. (Jos) Peeters, chairman
E. (Erica) Blom-Groenink

Finance, Planning & Control

T.J.A. (Theo) Krekel
R. (Rob) van Mazijk

Facility management services

R.J. (Rob) Volman

Human Resources Management

I.A. (Ingrid) Visscher (until 1 April 2007)

Lancyr

A.C.M. (Antoine) van Bijsterveldt
P.C.J. (Peter) Mols MBA

Management of OHRA Insurance

OHRA Insurance

F. (Frank) Elion, chairman
H. (Hans) Groot
N.R. (Nico) Francken
M.C.M. (Marcel) Viester, Finance and control

National Savings Fund

M.C. (Marco) van Muiswinkel

Management of ABN AMRO Insurance

ABN AMRO Insurance

M.M. (Maarten) de Groof, chairman and CEO (from 1 February 2007)
A O.W. (Onno) Verstegen (until 1 February 2007)
A.H.C. (Ton) Lommers
S. (Sven) Williamson, CFO
A.R. (René) Kruijs

Delta Lloyd & OHRA Health

M. (Martin) Duvivier, chairman
P.M. (Pierre) de Rooij
H.Th. (Hugo) Broekman
A.J. (Arjan) Speelman (until 1 April 2007)
H.A. (Hugo) Keuzenkamp (until 15 March 2007)

Management of Delta Lloyd Banking

Delta Lloyd Banking

L. (Leo) Keemink, chairman
P.A.J.M. (Piet) Verbrugge
G.T. (Gilbert) Pluym, CFO

Delta Lloyd Bank Netherlands

L. (Leo) Keemink, chairman
G.T. (Gilbert) Pluym

OHRA Bank

A.L. (Ad) van Wijlen (ad interim)

Retail & Mortgages

P.L.M. (Paul) van Weerdenburg

Private Banking

B. (Bert) Mets

Delta Lloyd Bank Belgium

P.A.J.M. (Piet) Verbrugge, chairman
G.K.H. (Geert) Ceuppens
A.J. (Aymon) Detroch

Management of Delta Lloyd Germany

Delta Lloyd Germany

P.K. (Paul) Medendorp, CEO (ad interim)
A.M.P.J. (Martin) Heuvelmans, CFO
V. (Veronika) Simons
W. (Wolfgang) Fuchs

Management of Delta Lloyd Belgium

Delta Lloyd Life
C.F. (Cees) Frankhuisen, chairman
H. (Hugo) De Cupere
C.A.N.W. (Caspar) van Haaften
M.J.C. (Marjan) van Kasteren, CFO

Management of Delta Lloyd Asset Management

Delta Lloyd Asset Management
J.P. (Jaco) Aardoom, chairman
P.A. (Peter) Knoeff, CFO
A.H. (Alex) Otto

Management of Delta Lloyd Property

Delta Lloyd Property
E.A. (Egbert) Dijkstra

4.3 Addresses

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4.4 Contact

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