annual report

2008

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Content

Delta Lloyd Group - Annual Report 2008

1 Delta Lloyd Group in 2008

The year 2008 was an eventful one for both Delta Lloyd Group and the financial sector as a whole. The credit crunch turned the financial world upside down and also affected the real economy. Compared to the major financial service providers, Delta Lloyd Group is in a relatively strong position and therefore did not need to seek financial support from the Dutch government. Nevertheless, the Group was also affected by the credit crisis and the resulting economic recession. Its performance came under pressure; the net result amounted to € -153 million. However, the strong capital base was maintained throughout the year. The solvency ratio was 190%, without outside support. In addition, amidst the extreme economic conditions, the Group had a strong commercial year, with a 12% increase in premium income to almost € 7.5 billion (2007: € 6.7 billion), particularly through the acquisition of large group pension contracts.

In millions of euros	2008	2007
Delta Lloyd Group Consolidated		
Gross premium income, Life	4,533.1	4,053.8
Gross premium income, General	1,377.9	1,250.9
Gross premium income, Health	1,563.0	1,356.8
Gross premium income	**7,474.2**	**6,661.3**
Investment income	480.7	1,905.2
Fee and commission income	352.5	313.2
Other operating income	467.5	130.5
Result on disposal of subsidiaries	13.1	-
Total income (excl. reinsurance premiums and movement in premiums reserve)	**8,788.0**	**9,010.3**
Result before tax	-177.3	809.0
Current tax	-24.1	21.6
Net result	**-153.2**	**787.3**
Total capital and reserves	3,018.3	4,836.0
Permanent staff at year-end in FTEs	6,674	6,407

Delta Lloyd Group commented on the downturn in the financial markets and the looming credit crisis in its 2007 annual report, but the events in the financial markets in 2008 were unprecedented. As was true for many financial institutions, Delta Lloyd Group did not emerge unscathed, but its financial position remains strong.

The increased credit spreads, low interest rates and the sharp fall in equity prices adversely affected the result and shareholders' equity due to write-downs and a decline in the revaluation reserve. This effect is more visible at Delta Lloyd Group because it is one of the few insurers which, for reasons of transparency, show investments and obligations entirely at fair value.

Thanks to its sound risk management system, Delta Lloyd Group took timely protective action. Amongst other things, the risks of falling equity prices were hedged by put options and the interest rate risk was hedged by swaptions. These measures made a major contribution towards containing the effects of the crisis in the year under review. Delta Lloyd Group will thus weather the current crisis under its own steam, without support from the Dutch state.

Delta Lloyd Group identified the restoration of confidence as a central priority in 2008. One noteworthy development was that Delta Lloyd Group became the first insurer to reach an agreement on compensation for customers with unit-linked policies. The costly compensation, for which Delta Lloyd Group has earmarked € 410 million, depressed the result by € 158 million in the year under review. Delta Lloyd Group set the tone and other major insurers followed suit. With this step and thanks to its financial position, the Group has proven itself to be a solid and reliable financial service provider.

From a commercial point of view, 2008 was a very good year. The Group's gross premium income comfortably broke through the barrier of € 7 billion (€ 7,474 million), mainly thanks to a number of large pension contracts. These new contracts helped the NAPI of the life business to climb to € 538 million (2007: € 491 million). New general insurance business also improved. The life, banking and investment businesses were confronted with lower margins. At General, the cost of claims was slightly higher but remained under strict control (COR 96.5%).

Amidst the commotion surrounding ABN AMRO Bank, ABN AMRO Insurance was unable to focus entirely on its commercial performance. The performance of Delta Lloyd Germany was adversely affected by obligations relating to guaranteed products. In addition, Germany and Belgium realised low investment results.

The coordinated central approach to large customers (employers with more than 500 employees) resulted in more than 30 new contracts with a total annual premium of € 45 million and a single premium of almost € 1.2 billion. The cooperation with Delta Lloyd Life (Belgium) and Delta Lloyd Germany is good. This international cooperation produced four contracts in 2008.

Thanks to attractive propositions and competitive pricing by both OHRA and Delta Lloyd, the number of health insurance customers rose by 22,000, principally as a result of group contracts. Gross premium income advanced by 15% to € 1.6 billion.

The banking activities lagged behind the performance in 2007. The negative trend in the bond markets, the lower fees and commissions and the interest rate movements led to a pre-tax result of € -163 million. Though mortgage origination was lower than in 2007, the market share rose to 1.4% due to the disappearance of competitors. The Group's total assets under management increased to € 68.2 billion (2007: € 66.6 billion). This concerns a financially healthy investment portfolio emphasising the Netherlands and the euro area, without large unknown risks.

The solvency ratio is 190%, which is considerably lower than in 2007 but still healthy and well above the internal minimum requirement. The equity position is solid, but was hit by the effects of the credit crisis. Shareholders' equity declined by 35% to € 3.3 billion (2007: € 5.1 billion), mainly due to revaluations.

Belgium developed into a potential second home market thanks to the acquisition of Swiss Life Belgium. The preparations for the transfer of the health activities to CZ on 1 January 2009 proceeded smoothly and also led to attractive opportunities for cross-selling to CZ customers. The integration of Eurolloyd and NOWM into Delta Lloyd General also went smoothly. In 2009, Erasmus Insurance will be integrated into Delta Lloyd Insurance. The Luxembourg activities of CUIL and Delta Lloyd Investment Managers in Germany were sold to NEWPEL GROUP and KAS Bank, respectively.

Liabilities valued at market interest rates

Since 2005, Delta Lloyd Group has used market interest rates to measure the insurance liabilities for many of its products. To date, the DNB swap curve was applied for this purpose. In view of the exceptional developments in the financial markets in 2008, the DNB swap curve is no longer representative of the market rate. Consequently, Delta Lloyd Group has decided for consolidation purposes to define the discount curve for its insurance liabilities as the maximum of the DNB swap curve and a yield curve derived from collateralised AAA euro zone bonds. This curve is known as the 'DLG curve'. The effect of the use of this curve is explained in greater detail in note 23 to the financial statements.

ABN AMRO Insurance joint venture

Following the change of control, ABN AMRO Bank Netherlands initially wanted to exercise its right to buy out Delta Lloyd Group and terminate the existing joint venture. The partnership, which was initiated in 2003, has posted good results in recent years in terms of both premium income and profitability. On 31 December 2008, in the light of the changed circumstances over the preceding six months, both parties arrived at the conclusion that continuation of the successful partnership is the most sustainable option. This means that the joint venture remains the exclusive insurance partner for ABN AMRO's current and future Dutch banking activities. The decision also has the support of the Dutch State, as ABN AMRO's shareholder. The continuation of the joint venture is an excellent match with Delta Lloyd Group's strategy of serving its customers as a leading insurer through all distribution channels.

1.1 Markets

The credit crisis left a deep mark on the financial markets in 2008, ultimately culminating in a worldwide recession. In the insurance market, Delta Lloyd Group distinguished itself in September 2008 by becoming the first insurer to reach an agreement on compensation for customers with individual unit-linked policies.

1.1.1 Credit crisis

From the second half of 2008, the credit crunch has changed the Dutch financial world and dragged down the real economy in its wake. Share prices plummeted and the ultimate result was the start of a global recession. When the financial crisis broke, the Dutch government intervened swiftly and effectively by nationalising Fortis Netherlands, including ABN AMRO Bank, injecting capital into ING, Aegon and SNS Reaal, and setting up guarantee schemes to safeguard the future of the Dutch financial system.

One central factor in the credit crunch is the mistrust that has arisen among financial institutions. Delta Lloyd Group believes this mistrust can be traced to four possible causes:

1. Excessive focus on the short-term in the banking and insurance sector at the expense of stakeholders;
2. Lack of transparency in financial products;
3. The evaporation of realistic debt/equity ratios at financial institutions;

4 Inadequate risk management by financial service providers.

There is an essential difference between banks and (pension) insurers. Banks manage customer deposits that are payable at short notice and must therefore maintain substantial immediate liquidity at all times. Insurance companies are institutions that invest policyholders' funds over extremely long periods. Financial solidity is therefore of the utmost importance.

Where Delta Lloyd Group stands

Delta Lloyd Group works in the first instance with customer funds. Prudence, diligence and due care are therefore imperative. In financial terms, this is expressed in a strong capital base, a realistic dividend policy and transparent reporting of the entire balance sheet at fair value.
The Group has extensive experience with advanced management of financial and other risks, based on a consistent strategy. The aim is to keep risks manageable for all stakeholders. The year 2008 saw a reversal in the trend of balanced growth. Delta Lloyd Group acted at an early stage to contain the impact of the credit crisis. Downward equity risks have largely been hedged through the prudent derivatives policy that Delta Lloyd Group has pursued since the late 1990s. Under this policy, derivatives are used mainly for defensive purposes to reduce risks, and not to increase returns. In addition, hedges have also been taken out to cover interest rate risks.

The value of Delta Lloyd Group's fixed income portfolio declined due to the widening credit spread (the risk premium on bonds). Given the quality of the portfolio of € 18.9 billion (with an extremely low risk profile), the risk that this lower valuation will actually materialise is small. The bond portfolio thus constitutes an extremely solid foundation underpinning the Group's good financial position.
The Group invests exclusively in assets that it understands and steers clear of any assets that are not transparent in terms of substance and risks. The investment policy places marked emphasis on 5% equity interests. These investments, which are strongly focused on the Netherlands, are aimed at long-term value creation and are also solid and risk-averse. Added to this, the Group's exposure to equities is limited to 14%. No less than 60% is invested in fixed income, of which over 90% has an AAA or AA rating. Furthermore, 10% is invested in stable property, particularly in upper-end rented residential, retail and small office properties.
Notwithstanding this relatively strong position, Delta Lloyd Group has been substantially affected by the credit crisis.

Restoration of confidence

Delta Lloyd Group sees the recommendations made last summer by the International Institute of Finance (IIF) as a good roadmap for restoring confidence in the financial industry. These recommendations are designed to promote tighter risk management policies and a more effective risk culture. In concrete terms, this translates into five key priorities:

1. Offer security, based on an integrated risk management model, firm embedding in business operations and targeted monitoring by the supervisory authorities.
2. Take responsibility by offering transparent products. Providers must withdraw from the market any products that no longer meet the customer's expectations or are too complex or exotic. Due care must again become the overriding priority.
3. Build and maintain business relationships based on transparency and integrity.
4. Work according to codes of conduct: avoid business dealings with parties that fail to comply with rules or are not affiliated to a complaints institute.
5. Tighten supervision: the current limit of € 50,000 for supervision by the Netherlands Authority for the Financial Markets *(Autoriteit Financiële Markten / AFM)* should be increased considerably, so that consumers also obtain more security for these products.

The financial sector must take the lead and pursue long-term trust and continuity rather than short-term profit. The reinstatement of the Rhineland stakeholder model, for which the statutory two-tier regime provides an excellent legal foundation, can provide a sound basis for this.

1.1.2 Unit-linked insurance

In September 2008, Delta Lloyd Group became the first insurer to reach an agreement on compensation for customers with individual unit-linked policies. The initiative broke the deadlock in the negotiations between the activist consumer groups ‘Woekerpolisclaim' and ‘Verliespolis', the Ombudsman and the insurers. The agreement set the tone for other insurers seeking a settlement with their customers. At the end of 2008, Delta Lloyd Group informed its unit-linked insurance customers in writing about the agreement reached and the further procedure.

The settlement with Stichting Verliespolis and Stichting Woekerpolisclaim represents a substantial improvement for customers on the recommendations made by the Financial Services Ombudsman in March 2008. The agreement entails that policy costs are capped. This will cost Delta Lloyd Group € 410 million, including a maximum of € 30 million to be contributed to a special fund for distressed customers. The compensation depressed the result by € 158 million in the year under review. The Delta Lloyd Group policyholders who had joined Stichting Verliespolis and Stichting Woekerpolisclaim overwhelmingly approved the agreement.

Product quality

Delta Lloyd Group welcomes the agreement, but stresses that the financial compensation does not imply that the Group's unit-linked insurance products are in any way flawed. These often were, and still are, good products that can provide customers with solutions for wealth accumulation and cover against the financial risks of death or occupational disability.
Nevertheless, customers and social organisations have made it clear that, in their view, the costs of unit-linked insurance products are not sufficiently transparent and that the level of these costs is too high. The compensation agreed by Delta Lloyd Group recognises these perceptions. The choice to provide compensation is a costly but necessary step to restore trust in the insurance industry. As a leading Dutch insurer, Delta Lloyd Group felt it was high time to force a breakthrough.

Unprecedented and sustainable growth

The unit-linked insurance debate makes it clear that all things must be judged in the context in which they arose. Perceptions change with the times. Unit-linked insurance products were developed and launched in the 1990s, when the stock exchanges were breaking one record after the other. Economists and government leaders were convinced that this unprecedented high growth was sustainable. With the innovative unit-linked insurance product, the constantly rising capital gains no longer benefited the insurer but the policyholder. The government encouraged this, customers wanted it and insurers made it happen. The other side of the coin, of course, was that lower returns were also passed on to the customers. With hindsight, that risk (then considered improbable) was too easily dismissed. A small number of insurers, Delta Lloyd among them, guaranteed a minimum return, subject to certain conditions. This largely covered the customer's downside price risk, but the majority of the insurers - and customers - saw this as an unnecessary precaution. The prospect of sustainable high returns and a constantly growing economy has proved illusory - and the products which suited that outlook so well have led to a very sobering awakening.

AFM fact-finding investigation

In the autumn of 2008, the Netherlands Authority for the Financial Markets *(Autoriteit Financiële Markten / AFM)* completed its fact-finding investigation into unit-linked insurance products. The AFM concluded that, according to the prevailing standards of 2008, many unit-linked insurance products sold in the past were insufficiently transparent. The investigation found that unit-linked insurance products existed in many shapes and forms and that many initiatives were undertaken in the 1995-2005 period to improve the provision of product information in consultation with government and consumer organisations. In addition, the report sketched the correlation of social, economic and tax factors that served to fuel the growing popularity of unit-linked insurance products. From the outset, Delta Lloyd Group cooperated intensively and in an open atmosphere with the investigation.

Towards greater transparency

In line with the later conclusions of the AFM report, Delta Lloyd Group has been assessing the transparency and cost structure of its products since as early as 2006. This took place on the basis of both internal criteria and the recommendations of the Pensions Ombudsman. Some products have been adapted and others have been withdrawn from the market.

In accordance with the recommendations of the De Ruiter Committee, from 1 January 2008 Delta Lloyd Group has either sent the standard information models to its customers or has posted them on its website. In 2008, the rules governing commissions and costs of financial services were amended. The Decree on Conduct of Business Supervision of Financial Undertakings *(Besluit gedragstoezicht financiële ondernemingen / BGFO)* stipulates strict new rules in the field of commissions for financial services and loan advertisements, which will apply to intermediaries, among others. Under the new rules, customers must be informed of the commission they are charged for advice, there must be a proper balance in this commission between initial costs and recurring costs, and portfolio-dependent commission is forbidden.

The market for unit-linked insurance products suffered a substantial across-the-board deterioration in the course of 2008. This had to do with the public debate on these products, but naturally also with the economic recession and the falling stock markets, which made private customers very apprehensive about any form of investment. In addition, the traditional life products are facing fresh competition from bank products that receive comparable tax treatment.

1.2 Results

In 2008, Delta Lloyd Group's profitability was severely dampened by the effects of the credit crisis. Due to compulsory write-downs of unrealised market value losses on the investment portfolio, in particular, the result before tax was € -177 million. The net result amounted to € -153 million. The Group had a very strong commercial year, with gross premium income rising 12% to almost € 7.5 billion (€ 7,474 million).

1.2.1 Delta Lloyd Group key figures

Key figures per segment of Delta Lloyd Group 2008

In millions of euros	Life	General	Health	Bank	Fund Management	Other	Total 2008
Gross premium income	4,533.1	1,377.9	1,563.0	-	-	0.2	7,474.2
Investment income	255.2	-21.5	22.7	308.1	-2.5	-81.3	480.7
Fee and commission income	168.5	19.6	0.3	61.9	107.8	-5.7	352.5
Other operating income	57.6	6.6	-	1.9	0.0	401.5	467.5
Result on disposal of subsidiaries	-	-	-	-	-	13.1	13.1
Total income (excl. reinsurance premiums and movement in premiums reserve)	**5,014.4**	**1,382.6**	**1,586.1**	**371.9**	**105.3**	**327.7**	**8,788.0**
Result before tax	149.5	25.2	-11.5	-162.7	12.6	-190.3	-177.3
Current tax	124.1	11.8	-1.8	-48.3	2.9	-112.8	-24.1
Net result	**25.4**	**13.4**	**-9.6**	**-114.4**	**9.7**	**-77.6**	**-153.2**
Total capital and reserves	**3,242.6**	**632.7**	**195.0**	**254.6**	**50.1**	**-1,356.7**	**3,018.3**
Permanent staff at year-end in FTEs	**2,058**	**1,263**	**354**	**1,245**	**165**	**1,590**	**6,674**

Key figures per segment of Delta Lloyd Group 2007

In millions of euros	Life	General	Health	Bank	Fund Management	Other	Total 2007
Gross premium income	4,053.8	1,250.9	1,356.8	-	-	-0.2	6,661.3
Investment income	1,307.6	82.1	43.3	348.0	2.0	122.1	1,905.2
Fee and commission income	103.9	19.4	6.0	80.5	123.8	-20.3	313.2
Other operating income	15.6	4.1	-	6.9	0.7	103.3	130.5
Result on disposal of subsidiaries	-	-	-	-	-	-	-
Total income (excl. reinsurance premiums and movement in premiums reserve)	**5,480.9**	**1,356.5**	**1,406.1**	**435.4**	**126.5**	**204.9**	**9,010.3**
Result before tax	631.4	247.0	-30.8	7.2	34.2	-80.0	809.0
Current tax	45.0	57.1	-12.2	-1.3	8.3	-75.2	21.6
Net result	**586.4**	**189.8**	**-18.5**	**8.5**	**25.9**	**-4.8**	**787.3**
Total capital and reserves	**4,243.9**	**882.9**	**236.2**	**311.9**	**64.1**	**-903.1**	**4,836.0**
Permanent staff at year-end in FTEs	**1,789**	**928**	**475**	**1,258**	**122**	**1,834**	**6,407**

Key figures per division of Delta Lloyd Group 2008

In millions of euros	Delta Lloyd Insurance	OHRA Insurance	ABN AMRO Insurance	Belgium	Delta Lloyd Germany	Delta Lloyd Bankinggroup	Delta Lloyd Health	Other	Total 2008
Gross premium income	3,680.0	563.4	839.2	491.5	447.3	-	1,563.0	-110.2	7,474.2
Investment income	804.2	-220.7	-504.2	41.2	30.3	282.0	20.3	27.7	480.7
Fee and commission income	38.8	15.2	50.0	59.1	42.6	44.2	0.0	102.6	352.5
Other operating income	21.5	8.7	2.7	33.4	1.6	1.4	-	398.3	467.5
Result on disposal of subsidiaries	-	-	-	-	13.1	-	-	-	13.1
Total income (excl. reinsurance premiums and movement in premiums reserve)	**4,544.4**	**366.5**	**387.7**	**625.2**	**534.9**	**327.6**	**1,583.3**	**418.4**	**8,788.0**
Result before tax	362.7	-110.1	25.9	-83.1	-107.6	-148.7	11.6	-128.0	-177.3
Current tax	130.5	-25.6	6.5	2.6	4.5	-45.2	4.1	-101.4	-24.1
Net result	**232.2**	**-84.6**	**19.4**	**-85.7**	**-112.0**	**-103.4**	**7.5**	**-26.6**	**-153.2**
Total capital and reserves	**2,103.3**	**139.0**	**478.0**	**639.5**	**229.5**	**339.8**	**252.0**	**-1,162.8**	**3,018.3**
Permanent staff at year-end in FTEs	**1,789**	**622**	**508**	**589**	**738**	**1,198**	**270**	**959**	**6,674**

Key figures per division of Delta Lloyd Group 2007

In millions of euros	Delta Lloyd Insurance	OHRA Insurance	ABN AMRO Insurance	Belgium	Delta Lloyd Germany	Delta Lloyd Bankinggroup	Delta Lloyd Health	Other	Total 2007
Gross premium income	3,058.6	621.7	880.4	364.2	447.0	-	1,356.8	-67.4	6,661.3
Investment income	828.8	133.0	49.2	65.3	226.1	320.1	39.2	243.3	1,905.2
Fee and commission income	30.6	28.7	34.0	12.9	52.9	54.6	6.0	93.6	313.2
Other operating income	28.0	-1.0	4.5	0.4	1.7	6.7	-	90.3	130.5
Result on disposal of subsidiaries	-	-	-	-	-	-	-	-	-
Total income (excl. reinsurance premiums and movement in premiums reserve)	**3,946.0**	**782.4**	**968.1**	**442.8**	**727.8**	**381.4**	**1,402.0**	**359.8**	**9,010.3**
Result before tax	704.8	36.1	116.5	18.8	-10.9	12.4	-11.9	-56.8	809.0
Current tax	67.8	5.0	31.0	-2.3	0.4	0.0	-7.4	-73.0	21.6
Net result	**637.0**	**31.0**	**85.5**	**21.1**	**-11.3**	**12.3**	**-4.4**	**16.1**	**787.3**
Total capital and reserves	**3,429.1**	**316.7**	**482.5**	**313.1**	**258.2**	**310.3**	**253.5**	**-527.4**	**4,836.0**
Permanent staff at year-end in FTEs	**1,756**	**779**	**553**	**308**	**780**	**1,166**	**365**	**700**	**6,407**

1.2.2 Costs and efficiency

Costs

Costs were higher than in the previous year. Accordingly, measures have been announced to reduce costs structurally and thus increase the operating result. A vacancy freeze is in force for the whole of 2009 and hiring of external employees and advisers is being rigorously cut back. The target is a reduction from 13% to 7% of the total number of employees. Delta Lloyd Group is looking very critically at the necessity of projects and is stimulating employees to identify scope for eliminating inefficiencies. The Group will not make any performance-related payments to the management for 2008.

Alongside these measures with a direct effect, major efforts are going into structural cost control. This mainly concerns simplifying and optimising processes and organisational structures, and realising the accelerated modernisation and standardisation of IT systems. The creation of Group IT has also led to tight centralised financial control of projects, providing transparent insight into the costs and benefits of projects.

Employees

The number of permanent employees increased to 6,674 FTEs (2007: 6,407 FTEs), principally due to the acquisition of Swiss Life Belgium. The number of temporary employees was 1,079 FTEs, bringing the total number of employees to 7,753 FTEs. As a result of the transfer of the health activities to CZ on 1 January 2009, the total number of FTEs decreased by 436.

1.2.3 Equity and solvency

The Group's shareholders' equity decreased significantly in the year under review. Due to the impact of the financial crisis, shareholders' equity before minority interests fell 35% to € 3 billion (2007: € 5.1 billion). The Group's financial position remained solid, however. The solvency of the insurance operations was 190% at year-end 2008. This is well above the internal limit of 150%. The BIS ratio of Delta Lloyd Bank is 11.3% and the bank has a Tier 1 ratio of 10.5%. Delta Lloyd Group enjoys high creditworthiness. The AA- rating (stable outlook) from Standard & Poor's was reaffirmed for Delta Lloyd General and Delta Lloyd Life on 27 October 2008.

1.2.4 Outlook for 2009

The effects of the stormy financial markets and the current economic recession will be visible in 2009. Growth in group contracts is expected to continue, and the Group enjoys financial and commercial strength. Nevertheless, significant emphasis will be placed on cost savings and efficiency in 2009. Margin improvement and profitability recovery will take precedence over volume growth.

Owing to the financial crisis, many equities are undervalued. Delta Lloyd Group expects to benefit from the upward potential in the coming period. Thanks to its favourable liquidity and solvency position, Delta Lloyd Group need not confine its activities to maintaining a heightened state of vigilance in the current market, but can also look for new commercial opportunities and ventures that will enable the Group to emerge stronger from the credit crisis in the long term.

1.2.5 Objectives for 2009-2011

'The Future Secured' formulates a number of clear objectives for the coming years, i.e. the period until 2011. The table below shows the results achieved in the reporting year for all the objectives and indicators of 'The Future Secured' strategy.

Indicator	Objectives	Result 2008 (2007)
Strategic objectives		
1. Reinforce distribution power	Expand distribution through strong brands by focusing on volume growth, efficiency and profitability	Volume growth (GWP) 12% (2007: 15%) Efficiency (expense ratio) 11.3% (2007: 10.7%)
2. Growth	Doubling in scale (compared to 2005) through organic growth, as well as mergers and acquisitions	Continuation of ABN AMRO Insurance joint venture | Acquisition of Swiss Life Belgium: doubling of market share | Integration of Erasmus Insurance off to a good start | Successful cross-selling among CZ customers
3. Market leader in new life business	Maintain position (on an annual basis)	
4. Increase synergy & efficiency	Leverage scale and share expertise through product groups	Personal General Insurance Business Income & Absenteeism Business Pensions Knowledge Centre Research into personal life, commercial general and finance (2009)
Commercial objectives		
5. NAPI Delta Lloyd Group	>= € 600 million in 2008	€ 538 million (2007: € 491 million)
6. Market share (GWP) in the Netherlands*(excl. Health)	>= 15% in 2010	8.2% (2007: 8.9%)
7. Market share (GWP) in Germany	>= 3% in 2010	0.6% (2007: 0.6%)
Financial objectives		
8. COR General / Health	<= 100%	General: 96.5% (2007: 85.9%) Health: 101.8% (2007: 105.2%)
9. Profitability after tax (ROE)	>= 13%	-4.1% (2007: 15.6%)
10. Group solvency (excl. Banking Division)		190% (2007: 316%)
11. BIS ratio of Banking Division	>= 10	11.3% (2007: 10.4%)
12. Standard & Poor's rating for Delta Lloyd Life and Delta Lloyd General	AA in 2010	AA- stable as of 27 October 2008 (2007: AA- stable as of 12 November 2007)
Social objectives		
13. Responsible social services	Annual CSR report in line with GRI guidelines	May 2009, assessment by PwC based on GRI-3
14. Diversity policy (at business units in the Netherlands), % Women in leadership positions	Team leaders Managers Directors	40% (2007: 27%) 28% (2007: 24%) 11% (2007: 9%)
15. Develop and apply SRI criteria		2008: UN Global Compact guidelines and controversial weapons radar Formation of Sustainable Investment Committee
16. Develop Integrity Radar	Measure awareness of importance of integrity and compliance	Increased awareness

Ad 2 Acquisition-driven growth has the Executive Board's continuous attention.
Ad 3 The Group is market leader in new business through organic growth.
Ad 4 Concept adjusted following reassessment: combination of chain integration and sharing leads to simplification, which requires efficiency

and speed.
Ad 5 Despite strong growth, the market environment is a crucial factor.
Ad 6 Excluding health insurance operations.
Ad 7 Market share in Germany is still inadequate. Strategic alliances are imperative to strengthen distribution power.
Ad 10 The figure for 2008 indicates actual solvency, which is well above the minimum standard, even in the current very difficult conditions in the financial markets.
Ad 11 2008: Basel II; 2007: Basel I.
Ad 15 The Sustainable Investment Committee started its work from 1 January.
Ad 16 The study reveals an increased awareness of fraud, compliance and integrity.

1.2.6 Ten-year summary

As explained in the Report of the Executive Board, Delta Lloyd Group sold its health operations to CZ Group as of 1 January 2009. In the consolidated financial statements, the figures for the entities involved are classified as discontinued operations. The figures in the ten-year summary and the key figures have not been restated.

Ten year summary

In millions of euros	2008 IFRS	2007 IFRS	2006 IFRS	2005 IFRS	2004 IFRS	2004 Dutch GAAP	2003 Dutch GAAP	2002 Dutch GAAP	2001 Dutch GAAP	2000 Dutch GAAP	1999 Dutch GAAP
Income											
Gross premium income, Life	4,533	4,054	3,146	3,772	3,437	3,648	3,153	2,744	2,686	2,283	1,941
Gross premium income, General	1,378	1,251	1,167	1,164	1,133	1,133	978	810	752	774	579
Gross premium income, Health	1,563	1,357	1,503	781	834	834	851	787	708	685	139
Total premium income	7,474	6,661	5,815	5,717	5,405	5,615	4,982	4,341	4,146	3,742	2,659
Investment income	481	1,905	2,131	3,348	2,407	2,255	2,210	1,021	1,400	1,796	1,842
Other operations	833	444	436	417	364	165	177	124	76	130	39
	8,788	**9,010**	**8,381**	**9,481**	**8,176**	**8,035**	**7,369**	**5,486**	**5,622**	**5,668**	**4,540**
Result before tax											
Life	150	631	795	236	286	249	238	152	291	313	250
General	25	247	189	228	141	135	92	13	19	-9	3
Health	-11	-31	-2	31	17	16	5	12	23	12	0
Banking and insurance broking operations	-150	41	81	81	46	24	20	2	3	22	9
Other	-190	-80	-151	-25	-52	-15	-44	-21	31	12	30
Result before tax and exceptional income and expenses	**-177**	**809**	**912**	**552**	**439**	**409**	**311**	**158**	**367**	**350**	**292**
Extraordinary result	-	-	-	-	-	-	-28	-	-	-	-
Result before tax	-177	809	912	552	439	409	283	158	367	350	292
Current tax	24	-22	-152	120	-98	-98	-27	-20	-68	-65	-52
Result after tax	**-153**	**787**	**759**	**432**	**340**	**311**	**256**	**138**	**299**	**285**	**240**
Attributable to:											
Shareholders funds	-161	745	725	409	327	302	247	138	299	285	240
Minority interests	8	42	34	23	13	9	9	-	-	-	-
Net result	**-153**	**787**	**759**	**432**	**340**	**311**	**256**	**138**	**299**	**285**	**240**
Total capital and reserves	**3,018**	**4,836**	**4,523**	**3,774**	**2,796**	**2,649**	**2,244**	**1,713**	**2,354**	**2,878**	**2,360**
Total assets	**63,205**	**62,355**	**59,598**	**57,084**	**49,275**	**40,730**	**38,077**	**32,781**	**34,239**	**30,992**	**28,753**
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)		67.68	51.77	31.73	24.01	24.01	-	-	23.71	27.04	29.46
Dividend (preference B shares)		18.02	18.02	18.02	18.02	18.02	-	-	20.79	20.79	20.79
Dividend (preference A shares)		0.24	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	**6,674**	**6,407**	**6,446**	**6,184**	**6,459**	**6,459**	**6,514**	**6,464**	**6,506**	**5,639**	**5,636**

1.3 Strategic developments

‘The Future Secured’ strategy has proven its worth. Since 2005, all five strategic pillars have driven the Group's growth and development in their specific fields. The interests of all stakeholders weigh heavily in this connection. In 2008, this resulted in a record gross premium income, a solvent and liquid company holding its own in a stormy environment, a well-thought-out risk management policy that is proving its merits and a strong starting position for the future. Added to this is a proven track record on corporate social responsibility with transparency in products, reporting, remuneration and governance.

1.3.1 Strategic framework

The five strategic pillars of Delta Lloyd's 'The Future Secured' strategy, which was introduced in 2004, are: reputation, distribution power, efficiency, expertise and core values. All five ensure that Delta Lloyd Group is able to deliver on its promise to stakeholders to provide security through income protection, wealth creation and risk insurance. Delta Lloyd Group is working consistently and purposefully on the implementation and reinforcement of this strategy.
The long-term policy of the Group is primarily focused on realising strong growth, extensive distribution power, wide-ranging services, efficiency and cost control. The smooth and speedy implementation of the Sharing programme has already made a sizeable contribution towards this. The health insurance alliance with CZ fits in with the strategic decision to increase scale. This is an ongoing process; Delta Lloyd Group continues to actively seek attractive opportunities for partnerships and acquisitions, such as the takeover of Swiss Life Belgium in 2008.

The current economic and social developments necessitate a new outlook for the future. Therefore, at the end of 2008, Delta Lloyd Group started to renew the scenarios it had developed in 2005. Scenarios are used to sketch a variety of possible future prospects by extrapolating current trends and expressing these in extremes. Scenario-based thinking is a tool that helps direct our thinking about core competencies (distribution power, brand/reputation, core values) and the company's position in relation to future changes. The renewed scenarios may lead to a tightening up of 'The Future Secured' strategy, which will form the basis for the company's plans for 2010 and beyond.

1.3.2 The strategic pillars in 2008

Reputation

A sound and solid reputation is a precondition for survival for a financial service provider – all the more so in the current economic environment. For Delta Lloyd Group, this reputation rests on long-term security and trust. Every day, the Group strives to live up to this reputation and to be a good corporate citizen. This was well-illustrated in 2008 by the fact that Delta Lloyd Group became the first insurer to reach an agreement on compensation for customers with unit-liked policies. The competition soon followed suit.
Delta Lloyd Group's strong liquidity and solvency underscore its reputation. The Group is the only major private insurer that did not apply for state support and, partly for this reason, will ultimately emerge stronger from the crisis.
Security and trust, as well as knowledge of the customer, were also central elements in the campaigns that the Delta Lloyd Group brands conducted in 2008.
Delta Lloyd Group profiled itself as one of the leaders in the creation of the Holland Financial Centre. This centre develops initiatives that help to maintain a strong, open and internationally competitive financial sector in the Netherlands. Key focus areas are pensions as an export product, the Netherlands as a financial knowledge country and product innovation in the financial services sector. Delta Lloyd's high-profile involvement is manifested in its chairmanship of a special working group for the ageing market, among other things. This working group seeks to establish how the Dutch financial sector can develop distinctive services for the ageing society.
Delta Lloyd Group fully realises that corporate social responsibility is an inherent part of its role in society. This is illustrated by the Delta Lloyd Group Foundation, among other initiatives. And, of course, Delta Lloyd is also visible in water sports sponsoring, one appealing example of which is the

Volvo Ocean Race that started in autumn 2008. This visibility matches our ambitions.

Distribution power

With the expansion of distribution channels realised in the past years, Delta Lloyd Group is well-equipped to respond to changing customer needs and behaviour. Delta Lloyd Insurance makes use of insurance intermediaries, OHRA is a direct writer (telephone and internet) and ABN AMRO Insurance – through its bank channel – often fulfils both roles. The multiple distribution options offered by Delta Lloyd Group are a major selling point in the conclusion of master contracts, which are increasingly replacing group contracts. Delta Lloyd Group makes arrangements with entrepreneurs and financial decision-makers, and supports them in their communication with employees. These employees, in turn, experience the convenience of three different distribution channels.

Insurance intermediaries face a great many new insurance laws and supervisory regulations. Delta Lloyd Group gives them support and assistance. The information and study meetings organised by the Group in this connection are particularly appreciated. Delta Lloyd Insurance is making increasing use of the intermediary's advisory knowledge and is thus able to further strengthen its ties with the SME sector.

Delta Lloyd Group's undiminished drive to achieve greater distribution power yielded success on various fronts in 2008. At OHRA and the new insurer Izio in particular, the internet's importance as a sales channel continued to grow, as did the level of interactivity: customers and prospects can increasingly, and more easily, arrange their financial affairs online. Innovative retail concepts, such as Virtes, also contribute towards the broadening and deepening of the distribution power.

At the end of 2007, Delta Lloyd Health and CZ decided to contract a strategic alliance. As part of the agreement, the health businesses of Delta Lloyd Group Health were transferred to CZ on 1 January 2009. CZ is a strategic partner of Delta Lloyd Group. The alliance opens up cross-selling opportunities of OHRA personal insurance and Delta Lloyd loss of income insurance to CZ customers. This already led to several tens of thousands of new policies in 2008. Asset management will manage part of the invested assets of the health businesses transferred to CZ on 1 January 2009.

Eurolloyd, NOWM Insurance and Risk Consultants were fully integrated with Delta Lloyd General Insurance.

In Belgium the takeover of Swiss Life produced an immediate doubling of income and market share of life business.

Efficiency

Efficiency and scale are essential to Delta Lloyd Group and are a condition for future growth. An extensive programme focused on maximum sharing and elimination of duplication of activities, IT systems, processes and products, was completed in 2008. This results in a simplification of both the organisation and the support systems. At the same time, work was carried out to remove superfluous or obsolete IT applications and to standardise systems wherever possible.

The programme led to a new organisational model and the creation of new units such as Group IT, the Personal General Insurance Business, the Income & Absenteeism Business and the Pensions Knowledge Centre. The new Group Business Change & Development department, which emerged from the change project organisation, will support integration and separation processes resulting from future acquisitions. In this way, internal expertise on such change processes is built and retained. More detailed information about the new organisational model can be found in section 1.3.5.

Expertise

To attain its ambitions, Delta Lloyd Group needs highly qualified and motivated staff. The Group seeks to offer an inspiring working environment where employees enjoy every opportunity to grow and advance their careers.
The 'Personal Development' project started up within Delta Lloyd Group in the autumn of 2007 continued into 2008. This project gives Delta Lloyd Group employees substantive support in their personal and career development. The investments give the Group a high-quality workforce with strong structural employability, including in the long term.
The cooperation with the SME employers' association MKB Nederland was continued and reinforced in 2008. Delta Lloyd supports the employers' organisation for the SME sector with knowledge and information in the fields of pensions, life course savings schemes, leave and reporting. It also prepares SME sector reports for insurance intermediaries. Including those generated in 2008, it has already published 20 sector reports. These reports fit Delta Lloyd's ambition to become the Netherlands' leading SME insurer. Amongst other things, the reports provide an insight into sector data, trends and developments and their impact on risks.

Core values

The seven core values of Delta Lloyd Group served as a guide for all its activities in 2008 as well. These core values are:

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

The values give direction to the company's policy and determine its corporate culture and identity. They clearly communicate what the Group stands for and serve as the touchstone for all its actions. The core values are supported by all employees and are now firmly embedded within the organisation.

1.3.3 Opportunities and threats

The current market circumstances, the Group's market positioning and strategic developments create the opportunities and threats for the Group. These are summarised below.

Strengths

- Financial expertise
- Investment results
- Solid financial position (assets and financing)
- Full service provider, comprehensive range
- Strong brands that are complementary in terms of distribution power

Weaknesses

- Dependence on equity markets and interest rate movements
- Insufficient leverage of opportunities for cross-selling and cooperation
- Need for simplification of processes and standardisation (e.g. IT)
- Complexity of processes increases cost levels and hinders optimal service
- Long lead time of new products

Opportunities

- Trend towards outsourcing of company pension funds
- Large potential market for self-employed persons and director/owners
- Packaging of products
- Smaller government creates market potential
- Sustainability

Threats

- Margins are under pressure
- Life market is going through major changes (e.g. bank saving)
- Competition from non-financial A-brands
- Switch behaviour of consumers
- Reputation of insurers under fire

1.3.4 Challenges

This SWOT analysis shows that the main challenges for the Group are to:

- *Acquire and leverage scale.* The Executive Board believes a doubling in scale (compared to 2005) is imperative to safeguard the Group's continuity and to secure its position in the Dutch, Belgian and German markets. The consolidation in the financial sector presents a comparatively large number of opportunities for acquisitions and alliances, all of which must be very seriously explored. To capitalise on its powerful growth potential, the Group must pursue integration and simplification of processes. The organisational realignment of the insurance operations, which is aimed at more efficient and faster service provision, lays the foundations for this.
- *Consolidate and enhance the Group's good reputation.* A good reputation creates trust: Delta Lloyd Group's most precious commodity. In addition, a good reputation attracts good employees. Expert knowledge, strong brands and a solid financial position strengthen this reputation. The financial markets are in turmoil and the entire financial services sector is under pressure. Delta Lloyd Group appears to be well-positioned in this deteriorated economic climate. In addition, the

breakthrough in the unit-linked insurance debate underlines that Delta Lloyd Group attaches great value to an open dialogue with stakeholders and devotes continuous attention to transparency. This offers the best guarantee for the further enhancement of the Group's reputation and the trust that customers place in its services.

- *Take advantage of opportunities arising from market turbulence.* Financial services is one of the most turbulent sectors of the Dutch economy. Such a rapidly changing market also offers significant opportunities for professional players. This calls for the rapid development of innovative distribution concepts (internet, retail or partnering), strong price competitiveness and an adequate response to changing customer needs and segments (individualisation, ageing). A purely customer-focused organisation is indispensable in order to consistently offer high-quality services and products at low cost, with a well-aligned and effectively positioned portfolio of brands. This applies to commodity products, but also to complex advisory-sensitive products, which constitute another key pillar in the Group's marketing efforts.
- *Responding to changing consumer behaviour.* Changing consumer behaviour, new market entrants and novel technologies are leading to increased competitive pressure. Market pressure and statutory and regulatory changes have significantly enhanced the transparency of the insurance business. Customers can search on the internet for the best product at the lowest price, and will increasingly be buying products online. This will translate into diminishing brand loyalty. Online insurance sales are set to grow further in the coming years and demand for less complex, competitively priced and easily comparable products will increase sharply. Such standardised products are also particularly suitable for sale through non-traditional distribution channels such as retail chains. These new non-traditional players are adding further competitive pressure. A financial service provider can still distinguish itself through the quality of its product: sound advice, high-quality service, good after care - but here too, price is an increasingly important factor.

1.3.5 Towards a new organisational model

Ambition calls for renewed organisation

The transition to a renewed organisational model for the insurance operations marks an important strategic step for Delta Lloyd Group.
To continue operating successfully in the future, Delta Lloyd Group is seeking to capture a top-three position in the Dutch insurance market by 2010. This aim will require a doubling of premium income compared to 2005.

That growth must be largely realised in two markets: complex advisory products and commodities.

Complex, advisory-sensitive products for both personal and commercial customers constitute the main pillar within the Group's insurance business. This market offers growth potential, particularly in the pensions segment. It differs in some essential aspects from the commodities market: risk pricing is customised, sales are quality-driven rather than price-driven and margins are higher, though they have come under pressure. The main priority in this market is to keep a sharp focus on targeted marketing and sales. The organisational set-up is focused as much as possible on integrated chains geared to serving customers across the entire product spectrum. Within the organisation, scarce knowledge is concentrated wherever possible, such as in the Pensions Knowledge Centre.

Commodities constitute an important second pillar: standard products for the personal and small business markets, which account for a substantial portion of the Group's business. The accelerating pace of change in this market is creating opportunities for growth. Meanwhile, the competitive struggle is mainly being fought on price and (fast) availability. This compels scale increases and cost reductions, but also a high level of quality and service. Customers are demanding an extensive range of products that suit their personal circumstances and are simple and transparent. To actually leverage market opportunities, a faster time-to-market and increased agility are crucially important.

The renewed organisational model is designed to serve these two key markets. New shared organisational units are set up with a focus on advisory-sensitive insurance products or commodities.

Better and easier

Sharing has been Delta Lloyd Group's answer to all these developments in the Netherlands. In a nutshell, everything must be done better, easier and cheaper. Delta Lloyd Group's old business model was principally aimed at reinforcing distribution power: in principle, all business activities were organised on a label basis. When added together, the various parts already constituted the required scale, but concentration and an integrated approach were necessary to obtain optimal leverage. This is achieved through the implementation of the new organisational model. Both market developments and the strategic need for growth and greater efficiency call for this new model. A substantial cost reduction and reinforced product development are necessary to achieve commercial success.

The Sharing programme, which was completed in 2008, delivered important pillars of the new organisational model. Over the course of the two-year implementation period, the Sharing programme led to the creation of Group IT, the integrated Health Business, the Personal General Insurance Business, the Income & Absenteeism Business, Izio and the Pensions Knowledge Centre.

Sharing, integrating, strengthening

The Sharing programme is aimed firstly at sharing activities (product development and processing) that are more or less identical for all brands and achieving maximum integration of the chain into a single business. Secondly, it is about reinforcing marketing and sales of the individual brands. This allows the brands to focus entirely on what they are good at: marketing and sales. This ambition is to be given shape and substance through product harmonisation, shared administrative processes, simplification, a single IT organisation and labels that are differentiated exclusively in terms of price and distribution concepts and the associated service. In 2008, the transformation of the Personal General Insurance operations into an integrated insurance business was continued. The existing product group activities were expanded to include commercial product development, pricing and risk bearing. On 1 January 2009, the new-style organisation was launched as the Personal General Insurance Business. The income portfolio has been given the same organisational design through the creation of the Income & Absenteeism Business. Co-ordination with the marketing and sales organisations is another key aspect. This is a prerequisite to offering competitively priced, market-oriented products that meet the customer's needs.

The renewal of the health insurance activities, in cooperation with CZ, was completed at year-end 2008. During the year, the final step was made towards the further professionalisation of the Group IT organisation, the central IT function for Delta Lloyd Group. A lot of hard work went into simplifying the application landscape and the group-wide sharing of systems. Modernisation went hand in hand with a reduction in complexity, with a view to lowering costs. In the pension field, the Pensions Knowledge Centre has proven its added value by laying the basis for the distinctive pension proposition of Delta Lloyd. The Knowledge Centre brings together the expertise of Delta Lloyd Life and ABN AMRO Insurance from different disciplines, including insurance, risk management, pricing, functional management and knowledge management.

The transition to a new organisational model also involves a new way of working and mode of conduct for everyone within Delta Lloyd Group. New demands will be made not only on the organisation, but on its people as well. Delta Lloyd Group has dubbed this part of the transition 'DNA' (in Dutch, an acronym for The New Approach). It comprises five improvement themes: consultation and decision-making, cooperation, taking responsibility, accountability and openness. DNA was rolled out across the organisation in 2008, thus putting in place a tried-and-tested instrument for an open and constructive discussion about the desired organisational culture in the new units. To ensure that managers, directors and Executive Board members are better able to fulfil their role as transition leaders in the new network organisation, the 'New Leadership' programme was implemented in cooperation with Group HRM. Alongside the Netherlands, Belgium and Germany are also participating in the programme.

Embedding and renewal

The ambition is to make further steps in 2009 towards embedding the Sharing philosophy and to implement new initiatives. The new Group Business Change & Development department has been formed for this purpose. The department will also support integration and separation processes resulting from future acquisitions. Delta Lloyd Group is keen to ensure that large-scale change processes are carried out by internal staff, so that knowledge of such processes is built and retained within the organisation.

Labels and insurance businesses

In the adjusted organisational structure that Delta Lloyd Group realised at the end of 2008 for the Personal General Insurance and Income & Absenteeism portfolios, the back offices for commodity products were integrated with commercial product development, pricing and risk-bearing. These new businesses report within the division to which they are most closely aligned: Personal General Insurance (commodity market) to the chairman of the OHRA Insurance, and Income & Absenteeism (commercial market) to the chairman of Delta Lloyd General Insurance. The sharing at the 'back' gives the labels at the 'front' more time and scope to focus on customers and sales.
In 2007, the Health operations of Delta Lloyd and OHRA were integrated and positioned as a separate 'white label' group, which transferred to CZ on 31 December 2008 as part of the strategic alliance.

More in-house IT

A high-grade IT infrastructure is vital to the continuity of a knowledge-intensive insurer like Delta Lloyd Group. For this reason, the outsourcing policy was reviewed.

- Agreement has been reached with IBM on the termination of the outsourcing contract. Good and clear arrangements have been made for the separation process and continuity. Some of the operational IT activities (commodities) will be gradually re-outsourced in the coming period. In future, certain services will be delivered in-house in order to achieve tighter control and improved quality. An outsourcing agreement has been signed with KPN for telecommunication services. The aim is to enhance quality. The transition from IBM to KPN is in full swing and making good progress. KPN holds responsibility from 1 January 2009.
- In addition, legacy removal and improvement of system quality are high on the agenda in 2009. In 2008, over 250 systems were upgraded. To further accelerate this operation, all business units have been given concrete targets for 2009. Delta Lloyd Group aims to upgrade a total of 200 systems in the coming year.

- Group IT is working on the simplification of the organisation. It is thus adjusting to the changes that have been or are being implemented in the business, while simultaneously helping to reduce costs.

1.3.6 Relationship with stakeholders

Delta Lloyd Group is working on a secure future for and with all its stakeholders: customers, employees, suppliers, trading partners, shareholders and society as a whole. The basis is a sound financial policy that generates long-term balanced growth in terms of volume and performance, on the strength of a consistent strategy aimed at continuity. Delta Lloyd Group has extensive experience with advanced management of financial and other risks, the aim being to keep risks manageable for all stakeholders.

Trust

The key term in the Group's relationship with all stakeholders is trust. Financial services are characterised by the extremely long life of products. Customers must be able to trust that the contribution they pay today will generate sufficient returns in the (distant) future. Delta Lloyd Group is fully aware that it works with its customers' funds. Less than € 5 billion on the balance sheet belongs to the Group's shareholders, while more than € 60 billion represents the interests of the other stakeholders. Delta Lloyd Group therefore opts for long-term trust and continuity rather than short-term profit. The Group sees the reinstatement of the Rhineland stakeholder model, for which the statutory two-tier regime provides a good legal foundation, as a sound basis for the relationship between financial service providers and their stakeholders.

Transparency and communication

Open and clear communication and transparency are essential to build and maintain good relationships between Delta Lloyd Group and its stakeholders. Delta Lloyd Group is therefore increasingly pursuing a dialogue with its diverse stakeholder groups. One good example is the Delta Lloyd Group Advisory Board. This is a platform where representatives of the Group exchange thoughts three times a year on relevant social themes with some ten representatives of national political parties, social partners, consumer and industry organisations and the academic community. The Advisory Board met on three occasions in 2008. The subjects discussed included transparency, the pension system and corporate social responsibility. The annual tripartite consultation between the Central Works Council, the Executive Board and the Supervisory Board is also worth mentioning in this context.

1.3.6.1 Relationship with customers

The core activities of Delta Lloyd Group touch the lives of millions of people. The Group's products consequently have a high social relevance. A strong sense of responsibility is therefore indispensable to fulfil this role.
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. Transparency towards customers, and particularly consumers, is increasingly 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)*. The Financial Supervision Act *(Wet financieel toezicht / Wft)* prescribes minimum knowledge and training requirements for insurance intermediaries. It also includes safeguards to ensure the independent offering of advisory services and provides for the duty of care. Delta Lloyd Group welcomes these regulatory changes.

Products and services

Delta Lloyd Group focuses on developing and offering products and services that 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, investment and mortgages. Delta Lloyd Group helps people accumulate wealth and accrue a comfortable pension, gain access to good health care and obtain 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 personal customers, entrepreneurs and insurance intermediaries. Knowing the needs of customers, providing high quality of service, delivering on promises and efficiently addressing complaints are key aspects in this connection. To match services to customer needs, ‘knowing the customer’ is a major priority. Most business units carry out annual customer satisfaction surveys.

Accessibility

Delta Lloyd Group aims to be accessible to its customers: a company that listens to them and acts in their interests. It therefore offers its services through multiple channels. Formerly, the insurance intermediaries were the most important channel, but in recent years the internet has rapidly gained popularity. Telephone-based services, combined with the other channels, also remain an important line of communication between Delta Lloyd Group and its customers.

Transparency surrounding unit-linked insurance products

Delta Lloyd Group became the first insurer to reach an agreement on compensation for customers with unit-linked policies. An extensive explanation of this subject can be found in section 1.1.2. Transparent communication on products is a cornerstone in the relationship between customers and the Group. This transparency is increasingly being secured by laws (e.g. the Financial Supervision Act), regulations and codes of conduct, as well as by developments in society and public debates.

1.3.6.2 Relationship with employees

To attain its ambitions, Delta Lloyd Group relies on highly qualified and motivated staff. The Group seeks to offer an inspiring working environment where employees enjoy every opportunity to grow and advance their careers.
Optimal utilisation of talent calls for an open and objective approach, in which nobody is deliberately or accidentally excluded. Only then will it be possible to create a culture in which all employees are given the opportunities befitting their competencies and talents and are empowered to make their contribution to Delta Lloyd Group.

This requires 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 involved. The management sets the right example in a culture of inspirational leadership.

Delta Lloyd Group grows with and through the individual

Delta Lloyd Group's ambition calls for talented, motivated and well-trained employees and managers. People must develop and make the right career choices, so that their role and career are in tune with their background, ambitions and development. The employees themselves are responsible for making choices in their (career) development. This requires an attitude that is characterised by cooperation, receptiveness to criticism, and a willingness to change and evolve. Broad-based employee versatility is vital in this regard. We promote this by devoting attention to employability, vitality, development of knowledge and expertise, and management and executive development. HR develops policy in these areas and makes the required resources available.

Employer of choice

Targeted labour market communication is necessary to attract and retain talent. Delta Lloyd Group is conducting an image campaign with this objective. The aim of this campaign is to increase the name recognition of Delta Lloyd Group and reinforce its image as an employer. This is essential, because a strong employer brand stands a better chance of attracting and retaining talented staff. The messages communicated in the campaign concentrate on the four key aspects in choosing a specific employer, and Delta Lloyd Group in particular:

- varied work;
- good work-life balance;
- good career progression opportunities;
- good compensation & benefits package.

To determine its position in terms of development opportunities and employment conditions, Delta Lloyd Group benchmarks with other employers. In Intermediair's 2008 Best Employer Survey, Delta Lloyd Group ended in 25th place. The employees are content, rating the working atmosphere with 8.1 and the job content with 7.8.
Delta Lloyd Group advanced further in the Incompany 200 survey, with the total score rising from 6.68 in 2006 and 6.93 in 2007 to 7.18 in 2008: the 19th place. The higher average was mainly attributable to considerably better scores at the lower end. As a result, the last weak scores disappeared from Delta Lloyd Group's profile. Culture received a high score of 7.40.

Personal development

In autumn 2007, the 'Personal Development' project was started up within Delta Lloyd Group. This project gives employees of Delta Lloyd Group substantive support in their personal and career development. The investments give the Group a high-quality workforce with strong structural employability, including in the long term. The programme for each employee consists of a personal development workshop and a self-assessment scan. The employee uses the results to prepare the personal development interview with his manager. There is a standard training budget of 4% of the wage sum for each employee. In addition, employees who take part in the 'Personal Development' programme are entitled to a personal development budget, to be spent at their own discretion, of 1% of three gross annual salaries, with a minimum of € 1,200.

Diversity

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

- Recruitment, progression and development of female talent. In signing the Talent to the Top Charter, Delta Lloyd Group has committed to clear, measurable objectives in order to help more female talent progress to more senior positions. More than 40 leading organisations from the private, non-profit and public sectors have signed the charter. In 2008, the number of women in managerial positions increased at virtually all levels.
- Development and progression of diverse cultural talent.
- Support for and facilitation of line management in identifying and capitalising on talent.

Leadership programme: the new leadership

In 2008, a large number of directors, managers and Executive Board members successfully completed the new executive development course entitled 'The New Leadership'. The course focuses on such themes as cooperation, entrepreneurship, communication and openness in a changing organisation and environment. The intensive programme continues into 2009 and will then form an integral part of the regular executive development activities.

Pensions up to standard

In contrast to many other pension funds, the Delta Lloyd Group Pension Fund announced at the end of 2008 that the pension rights of its participants would be index-linked in 2009. This means that the pensions of retirees will be increased by an inflation adjustment of 2.53%, whilst the pension rights of the active employees of Delta Lloyd Group will be raised in line with the wage indexation of 3%. Thanks to its prudent investment strategy, the Pension Fund's funding ratio was maintained at a satisfactory level of 119%. The pension fund has thus demonstrated that good risk management and timely hedging of major risks make indexation feasible.

Belgium

For Delta Lloyd Life, the dominant event in 2008 was the merger with Swiss Life Belgium. Belgium is set to be Delta Lloyd's second home market, which is justly a matter of pride to the employees. The merger also opens new prospects for the employees of the general insurance business (Zelia). In the HR field, training and internal mobility are central in the integration process. Talent is being given an opportunity to develop and prove itself across the entire breadth of Delta Lloyd Life. Via a change programme, the company is also working on a renewed future-oriented corporate culture, which represents the Belgian translation of the core values of Delta Lloyd Group. Delta Lloyd Bank concentrated mainly on quality improvement through Balanced Scorecard and IQ processes, as well as the 'Basic Instinct' workshop where employees were encouraged to propose and develop improvement projects. The Young Lions network of young employees within the bank receives active support, alongside the customary training facilities.

Delta Lloyd Germany

Delta Lloyd Germany, too, has put considerable effort into employee development and satisfaction. Amongst other things, 26 high potentials took part in a programme devised especially for them. No less than 77.5% of the German employees enjoy working for Delta Lloyd and 68.2% is proud to be part of the group. The workload is perceived to be high. Partly for this reason, a health programme was set up and will get underway in 2009. The programme, which includes dietary advice and gym discounts, follows on from initiatives in 2008. A special health week was held in February, involving back, blood pressure and heart function check-ups as well as a healthy eating tutorial. Managers were also able to attend work-life balance workshops.

1.3.6.3 Relationship with shareholders

Delta Lloyd Group has two shareholders: Aviva plc in London and Fonds NutsOhra in Amsterdam. The relationship is maintained through formal shareholder meetings and regular consultation between the Executive Boards of Delta Lloyd Group and Aviva and the Board of Fonds NutsOhra. In addition, two executive directors of Aviva are members of the Delta Lloyd Group Supervisory Board. Delta Lloyd Group is consolidated in Aviva's financial statements.
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. In 2008, the court ruled in favour of Delta Lloyd Group. Aviva has meanwhile lodged a formal appeal against the court ruling. Delta Lloyd Group and Fonds NutsOhra have regular consultation and there is close involvement with mutual projects and activities.

1.3.6.4 Relationship with suppliers

Contributions from third parties play an increasingly important role in Delta Lloyd Group's operations. 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. Endorsement of the Group's corporate social responsibility (CSR) criteria is a standard selection criterion in every tendering procedure.
One standard requirement for all tenders is that suppliers must sign a CSR statement and be able to demonstrate that they can live up to their commitments. Suppliers who fail this test are quite simply excluded from doing business with Delta Lloyd Group.
Offering security is central for Delta Lloyd Group and that line can be extended to suppliers. The business units 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. The most important procurement objective is to ensure suppliers make a maximum contribution to the attainment of Delta Lloyd Group's objectives. Last year a major step forward was made in this area. For instance, the number of suppliers for print work and business gifts was sharply reduced. Efforts are most definitely not confined to cost-cutting measures. Quality improvement is also a subject of discussion with suppliers, as are other ways of enabling Delta Lloyd Group to distinguish itself from its competitors in a positive sense.
The procurement process will become increasingly IT-based in the coming years, one major advantage being the ease with which an ‘audit trail’ can be created to trace the procurement

process. An application to support the procurement and contract management process was implemented successfully during the year under review. The insight into the existing contracts and the opportunities for further group-wide contract bundling has thus greatly increased. An important step was also made in the field of insurance services. Together with the business units, a master plan has been developed for procurement projects in the coming three years in the field of personal general insurance services.

1.3.6.5 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 a public insurer. To this end, it develops products in the fields of income protection, pensions and health insurance.

‘Financial awareness’

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

Delta Lloyd Group Foundation

A key driver of this process is the Delta Lloyd Group Foundation, which began operating on 1 January 2008. The Foundation supports ‘knowledge and opportunity’ initiatives aimed at preventing or resolving financial problems. In 2008, sixteen projects were adopted. The three target groups – young people, the elderly and economically vulnerable women – are more or less equally represented in these projects. There was and is a strong intention to encourage employees of the Group to make an active contribution to community projects. The website was launched in October and attracted 40,000 hits in November 2008. Volunteer Days and Foundation Tours were organised to give colleagues an opportunity to learn about the adopted projects at first hand. These efforts were successful: 450 colleagues of Delta Lloyd Group were actively involved in Foundation activities in 2008. The ‘Geldkoffer' learning pack (to teach young people money skills) and ‘Make a Difference Day' drew the most volunteers.
A budget of € 1.5 million was made available for 2007/2008. The projects financed include:

- Stichting Maatjes Advies Plan (MAP): an initiative of the Rotterdam Food Bank to offer social and financial help to people who make use of the Food Bank, and thus help them find a structural solution to their financial problems. Donation: € 120,000.
- Weekend School for supplementary practical education for young people aged 10 to 14 from Amsterdam South-East to broaden and improve their prospects. Donation: € 150,000 per year, over a three-year period.
- VanHarte Resto's are community restaurants designed to promote social cohesion in neighbourhoods. The Foundation holds afternoon sessions in the restaurants on the theme of ‘Getting more out of your money'. Six colleagues gave the training sessions.
- ‘Geldkoffer': learning pack to teach money skills to pupils aged 10 to 12. On 13 May 2008, Princess Maxima officially launched the ‘Geldkoffer' learning pack at a primary school in

Nieuwkoop. The Foundation had ordered 500 of these learning packs to be distributed by staff at schools in their neighbourhoods. The success of this project meant that a further 150 learning packs had to be ordered.

- Student businesses in Castricum: debt prevention project for schools, where the school sets up a business and gets the children involved in order to teach them money skills. Donation (to expand this case into best practice for other schools): € 10,000.
- MaDi Amsterdam South-East and Diemen: debt prevention classes for residents of Amsterdam South-East and Diemen, subdivided into specific target groups. Colleagues can volunteer as a financial coach for people who have completed the course. Five colleagues volunteered as buddies / financial coaches. Donation: € 60,000.
- 'Landelijk Steunpunt Thuisadministratie': help to improve the quality of 270 local initiatives aimed at promoting sound household financial management. The aim is that 45 staff members conduct interviews on quality requirements with managers of local 'Thuisadministratie' initiatives. Donation: € 60,000.
- 'Effe geen cent te makken': sponsoring of the very successful TV programme based around the Food Bank. Both the eight-part series and the charity appeal broadcast drew two million viewers.
- A survey among young people was aimed at getting to know this target group, learning about their interests and concerns, and finding out how to approach this group. That way, more effective preventive measures can be set up.

Fonds NutsOhra

Fonds NutsOhra is affiliated with Delta Lloyd Group as a shareholder. This Foundation, which is active as a fund for health care subsidies, owns an equity interest in Delta Lloyd Group as a result of the merger between Delta Lloyd and NUTS OHRA. The annual income that Fond NutsOhra generates from this interest is used to finance health care projects. Examples include research, public information, new treatment methods, residential and recreational facilities and prevention.
In 2008, the Fund allocated € 7.5 million for funding of health care projects. In addition, € 850,000 was awarded to projects submitted within the 'independent living at home' theme. In the year under review, funds were allocated for projects including:

Health innovation and improvement

- Improvement of care to (non-western) ethnic minorities.
- Tissue type determination of stem cell donors for the donor databank.
- Post-treatment psycho-social care for cancer patients.
- Implementation of a quality of life questionnaire for children with asthma.

Information and education

- Video material on heredity and hereditary diseases.
- DVD for parents of people with a mental disability about various residential options.
- Development of a comprehensive sign language dictionary.

Homes and recreation

- Costs of equipping and decorating small-scale residential units, walk-in centres, sensory stimulation rooms.
- Riding school for children with a disability.
- Adapted recreational facilities (play equipment, holiday facilities).
- Physio-fitness for people with a mental disability.

The Fund made an additional € 1.25 million available to Delta Lloyd Group for the financing of health care projects. In cooperation with the Applied Research Institute TNO and VU University Amsterdam, Delta Lloyd Group is exploring opportunities for health-at-work projects. These include exercise programmes and health promotion at the workplace, with a specific focus on the SME sector. The projects will form part of the group health contracts that the Group offers. A further € 1.2 million was made available for participation in the Second Rehabilitation Programme. The NutsOhra Fund finances a specific theme within this programme, which is coordinated by ZonMW and carried out with the support of various funds.

1.3.6.6 Corporate social responsibility

Delta Lloyd Group sees Corporate social responsibility (CSR) as an inherent part of its operations. Its ambitions in the field of CSR are high.
CSR is the sum total of all the things we do to promote the development of our employees and society (people), a healthy environment (planet) and profitable economic growth (profit). Delta Lloyd Group has formulated five CSR objectives:

- Structural embedding of product analysis, annual analysis of CSR themes and core values to facilitate simplification of products and enhance transparency.
- Development and application of sustainable asset management criteria.
- Communication with employees to enable an open discussion of dilemmas encountered in practice.
- Development of community-minded initiatives: the Delta Lloyd Group Foundation began operating on 1 January 2008
- Compliance with criteria for ethical business practice: an active environmental policy, corporate citizenship, supplier policy, respect for human rights, corporate governance policy.

Reporting and assurance

With the publication of a CSR report, Delta Lloyd Group aims to provide a structural insight into its policy and activities undertaken in the CSR field. The CSR report relates to all national and international activities of Delta Lloyd Group and contains both quantitative and qualitative data. The CSR annual report has a comparatively short tradition and is still evolving year on year in terms of professionalism and quality of content. Ever more exacting requirements, imposed not least by Delta Lloyd Group itself, combined with concrete objectives are driving this ongoing process of improvement. The guidelines of the Global Reporting Initiative (GRI-3) provide the basis for CSR reporting, while Delta Lloyd Group selects the issues that are particularly relevant from its own perspective. The report is assessed by Ernst & Young Accountants LLP on the basis of the GRI-3 guidelines.

1.4 Report of the Supervisory Board

The year 2008

Looking back, 2008 was a turbulent financial year for Delta Lloyd Group. The unprecedented decline of the financial markets did not leave Delta Lloyd Group unscathed. Its effects had a direct impact on the balance sheet and the pre-tax result for 2008, which consequently ended € 177 million in negative territory. It is encouraging to note that, thanks to the Group's prudent risk management and investment policies, the capital base remains strong. Moreover, the Supervisory Board is delighted that the commercial results are good. The Group's gross premium income grew to € 7.474 million. Total income rose to € 8.788 million. The proven commercial strength, together with the solid financial position, give us confidence for the future of Delta Lloyd Group.

Financial statements and profit appropriation

In accordance with the provisions of section 2:101 (3) of the Dutch Civil Code, we submit the financial statements drawn up by the Executive Board to the General Meeting of Shareholders for adoption. Taking into account the unqualified audit opinion of Ernst & Young Nederland LLP, which is included in this annual report, we recommend that the shareholders adopt the financial statements. In view of the negative result, and in accordance with Article 35 of the Articles of Association, our Board approves the Executive Board's decision not to pay out any dividend.

The credit crisis

The global financial markets are extremely unsettled. The Dutch economy contracted in the last quarter of 2008 and a prolonged recession is considered likely. The stock market has collapsed and is currently extremely volatile. The Supervisory Board, and the Audit Committee in particular, intensively discussed market developments and Delta Lloyd Group's response with the Executive Board. The development of the Group's performance and risk management were monitored closely. Delta Lloyd Group astutely anticipated the deterioration in market conditions. The developments in the financial markets demonstrated the essential importance of prudent risk management. Delta Lloyd Group is well positioned in the depressed economic climate and, in addition, has taken measures, such as the hedging of interest rate and investment risks, to limit the direct consequences of these developments.
Partly thanks to the adequate protection measures, Delta Lloyd Group did not need to make use of the capital resources made available by the Dutch state or the Guarantee Scheme for Banks.
Delta Lloyd Pensioenfonds was able to announce that the pension entitlements for the year 2008 would be indexed.

Strategic developments

The Supervisory Board closely monitored the consolidation process in the Dutch market. The strategy of Delta Lloyd Group was assessed in the light of the evolving situation and fine-tuned where necessary. In Belgium, the integration of Swiss Life and Delta Lloyd Life was legally completed, leading to a top five position in the life insurance market. In Germany, Delta Lloyd Investment Managers (KAG) was sold to KAS Bank. The sale of CUIL (Luxembourg) to NEWPEL Group was also finalised. Effective from 1 January 2009, CZ has taken over the health business, including all employees.

Supervisory Board meetings

The Supervisory Board met on ten occasions in 2008. In addition, various telephone conferences were held, while individual members of the Supervisory Board maintained intensive contacts with Executive Board members in the interim. The many issues that the Supervisory Board discussed during its meetings in 2008 included the mergers & acquisitions strategy, the development of results, risk management, the internal reorganisation, ICT outsourcing, the progress of the unit-linked insurance dossier, the continuation of the joint venture with ABN AMRO Bank and the Group Plan for 2009-2011. With just a few exceptions, the meetings were attended by all the members of the Executive Board.

Supervisory Board committees

The Supervisory Board is supported by three committees that prepare the specific issues delegated to them for decision-making in the full Supervisory Board. The committees are appointed from among the Supervisory Board members. In accordance with the applicable Terms of Reference, each committee reports its findings to the Supervisory Board at the next meeting of the Board. The committees also provide written reports of their meetings.
The Audit Committee met five times in 2008. The members of the Audit Committee are Jan Haars (chairman), Marcel Smits and Philip Scott. All meetings, with one exception, were attended by one or more representatives of the Executive Board and the directors of Group Finance & Control, Group Audit, Group Integrity and Group Actuarial & Risk Management. The meetings held in February, July and December were also attended by representatives of the external auditor of Delta Lloyd Group, which reported its findings in the absence of the Executive Board members at the February meeting. At the July meeting, Ernst & Young presented its first impressions of Delta Lloyd Group to the Audit Committee. During the meetings, the quarterly, half-yearly and annual results were discussed at length, as were the auditor's opinions, actuarial analyses, management letters and the reports on the internal audit findings. In addition, the progress of the SOx project was reviewed at each meeting. Particular attention was devoted to the consequences of the credit crisis and the necessary protection measures.

The Remuneration Committee met twice in 2008 and the Nomination Committee three times. The items discussed by the Remuneration Committee included the evaluation of the Phantom Option Plan and the remuneration and targets of the Executive Board. Amongst other things, the Nomination Committee prepared the evaluation of the Board's own functioning and proposed the appointment to fill the vacancy resulting from the resignation of Vincent van den Burg.

Contacts with the Central Works Council

A changing delegation of the Supervisory Board participated in the scheduled consultative meetings between the Executive Board and the Central Works Council. The annual tripartite consultation between the Supervisory Board, the Executive Board and the Central Works Council took place in October 2008. One of the items on the agenda was the impact of the credit crisis.

Composition of the Supervisory Board and Executive Board

Executive Board changes

There were no changes to the Executive Board in the year 2008.

Supervisory Board and Committee changes

Jan Holsboer was appointed as member of the Supervisory Board in May 2008. He succeeded Vincent van den Burg, who had been a member of the Supervisory Board since 1973. The Supervisory Board thanks him for his dedicated service over a period of more than 35 years. Delta Lloyd Group drew great benefit from his perceptive insights and knowledge.

Following the resignation of Vincent van den Burg, vacancies also arose in the Nomination and Remuneration Committees, as well as the for the vice-chairmanship of the Supervisory Board. On the nomination of the Nomination Committee, Eric Fischer was appointed vice-chairman of the Supervisory Board. He also joined the Nomination Committee and the Remuneration Committee. Pamela Boumeester was appointed chairwoman of the Remuneration Committee. Jan Holsboer was nominated as a member of the Audit Committee in December 2008.

Amendment of the Articles of Association

At an Extraordinary General Meeting of Shareholders, a resolution was passed to amend the Articles of Association. As a consequence of this amendment, controlled co-optation has been maintained as the appointment system for the Supervisory Board.

Appointment of external auditor

In May 2008, Ernst & Young was appointed as external auditor of Delta Lloyd Group by the General Meeting of Shareholders, on the recommendation of the Supervisory Board. Ernst & Young is also the external auditor of shareholder Aviva. It is Aviva's preference to have a single external auditor within the Group. This was the reason for terminating the long-standing relationship with the former external auditor, PriceWaterhouseCoopers.

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 2009 on 6 August 2009.

A word of thanks

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

The Chairman of the Supervisory Board

René Kottman

2 The segments in 2008

The results of Delta Lloyd Group's core activities for 2008 have been grouped into the following segments: Life, General, Health, Asset Management and Banking.

2.1 Life

One striking development in 2008 concerned the conclusion of several large pension contracts (KPMG, Imtech, Bayer and Polaroid, representing an aggregated premium income of some € 1.4 billion). This success made an important contribution to the increase in premium income. However, growth in individual life insurance is stagnating. Growth in individual life products is lower, mainly due to the less favourable economic conditions. The debate about unit-linked insurance also played a role. Delta Lloyd Group became the first insurer to reach an agreement on compensation for customers with individual unit-linked polices, thus making a costly but necessary step towards restoring confidence.

In millions of euros	2008	2007
Life		
Gross premium income	4,533.1	4,053.8
Investment income	255.2	1,307.6
Fee and commission income	168.5	103.9
Other operating income	57.6	15.6
Total income (excl. reinsurance premiums and movement in premiums reserve)	**5,014.4**	**5,480.9**
Result before tax	149.5	631.4
Current tax	124.1	45.0
Net result	**25.4**	**586.4**
Total capital and reserves	**3,242.6**	**4,243.9**
Permanent staff at year-end in FTEs	**2,058**	**1,789**

Gross premium income rose by 12% to € 4.5 billion (2007: € 4.1 billion) thanks to large group pension contracts at Delta Lloyd and immediate annuities at OHRA. In Belgium, gross premium income was 27% higher owing to the integration of Swiss Life Belgium. In Germany, premium income remained stable at € 447 million.
New life business, which is expressed as NAPI consisting of 100% of the regular premiums and 10% of the single premiums, rose to € 538 million (2007: € 491 million). At Delta Lloyd, this was principally thanks to the new pension contracts.
The New Business Contribution (NBC), a key yardstick for the profitability of new business, declined to € -20 million (2007: € 6 million on MCEV basis).
The result of the Life segment was hit severely by write-downs on the investment portfolio. This led to a lower Life result before tax of € 150 million (2007: € 631 million).

MCEV development

Development of MCEV

In millions of euros	2008
EEV reported on 1 January	**5,709.7**
Transition to MCEV	-411.3
MCEV on 1 January	**5,298.4**
Value of new Life business	-19.9
Profit on Value in Force	220.2
Life result under MCEV	**200.2**
Differences arising from investment returns	**-306.7**
Exceptional items	**-1,917.0**
Equity movements Life companies	**132.6**
MCEV on 31 December	**3,407.5**

In 2008, the developments in the financial markets had a negative impact on the level of the Market Consistent Embedded Value (MCEV). As a result, the total embedded value decreased by 41% to € 3.4 billion. Of this decrease, 7% resulted from the recalculation of the embedded value according to principles consistent with market practice. The MCEV-based operating result (LEOR) of € 200 million reflects the economic expectations at the start of the year.

The Dutch pension system

To absorb the consequences of the ageing population and the falling number of young people in the job market, the Dutch government has introduced a series of measures in recent years to get more people into work. The government is keen to motivate older staff to continue working until at least the age of 65. To make this financially attractive, the labour-related tax credit will be increased for older workers. In addition, the government coalition agreement provides for the introduction of an 'AOW' (state pension) levy for over-65s, in combination with a bonus for people who opt to work longer. The effective date of the pension must become an individual choice, based on physical and financial capabilities and preferences. The government will therefore look at the possibility of giving people the voluntary option to fully or partially postpone their 'AOW' retirement date. A later date will lead to a higher AOW state pension during the pensioner's remaining lifetime.
In a report dated June 2008, the government-commissioned Bakker Committee advocated raising the AOW retirement age by one month annually to 67, and to start this process no later than 2016. However, the government does not yet want to go this far. It hopes that working until 65 will once again become commonplace and will create sufficient labour potential.

The government is committed to keeping pensions affordable for future generations, and has consequently initiated a debate about the modernisation of the pension administration system. Delta Lloyd Group has therefore urged that a thorough debate be held about the most suitable system and structure for the future. Answers must be found to questions such as: What is the required degree and form of solidarity? How much freedom of choice should be given to individual citizens? What is the most appropriate implementation structure (with full market forces)?

General Pension Institution

In mid-2008, the Ministry of Social Affairs and Employment presented an outline memorandum on the introduction of a new form of pension provider called the General Pension Institution (GPI). The GPI is designed to respond to the expected growth in the European pensions market and to make the Dutch pension system sustainable for the future. Three phases can be distinguished in this process: the creation of a contributory pension institution, the option of a multi-company pension fund and a GPI for defined benefit schemes. The proposal for the creation of a contributory pension institution has been put to the sector and has also been submitted to the Council of State *(Raad van State)* for advice. At the end of 2008, the Ministry of Social Affairs and Employment asked the Labour Foundation *(Stichting van de Arbeid)* for advice on the incorporation of a company pension fund and the consequences in terms of task demarcation.

Delta Lloyd Group's pension strategy

Delta Lloyd Group pursues a group-wide pension strategy. The priority in the strategy is to reinforce the proposition for pension funds, which will fulfil a different role in the new market environment. The changed reporting standards (IFRS) make it much less attractive for companies to run their own pension funds, due to the impact on their balance sheet and income statement. Furthermore, the Pension Act imposes new professional management and internal control requirements. Delta Lloyd is a specialised pension insurer offering an innovative product that responds to this new situation. The employer runs no risk and the employee's pension entitlement is guaranteed. The proposition proved its worth in 2008, in the form of a number of major contracts.

Delta Lloyd Group also seeks to provide an even better service to insurance intermediaries who sell pensions. The customer focus is 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 plan, customers can view their pensions online and e-mail queries to a pensions helpdesk. Delta Lloyd Group is thus responding to the growing need among customers to keep track of their pensions anytime, anywhere.

2.2 General

Delta Lloyd Group managed to achieve growth in the highly competitive non-life market. Delta Lloyd General particularly strengthened its position, with premium income growth of 11% to € 908 million. Transparency in price and product offering is increasingly vital, and the internet is also playing a more and more prominent role. With ABN AMRO Insurance (abnamro.nl and MoneyYou), OHRA, NSF and Izio, Delta Lloyd Group is well-positioned in this predominantly personal online market. In the fourth quarter, after a period of fierce competition, the first signs of a price recovery in the car insurance market became visible. In the fourth quarter, after a period of fierce competition, the first signs of a price recovery in the car insurance market became visible. This was reflected in a slight increase in premium rates.

In millions of euros	2008	2007
Schade		
Gross premium income	1,377.9	1,250.9
Investment income	-21.5	82.1
Fee and commission income	19.6	19.4
Other operating income	6.6	4.1
Total income (excl. reinsurance premiums and movement in premiums reserve)	**1,382.6**	**1,356.5**
Result before tax	25.2	247.0
Current tax	11.8	57.1
Net result	**13.4**	**189.8**
Total capital and reserves	**632.7**	**882.9**
Permanent staff at year-end in FTEs	**1,263**	**928**

New business advanced by 17% to € 203 million in 2008 (2007: € 173 million). Gross premium income was up 10% to € 1,378 million, thanks to volume growth at Delta Lloyd and OHRA. Premium income at ABN AMRO Insurance remained stable. The result before tax decreased by 90% to € 25 million. The main cause was the negative investment result due to lower valuations. The cost of claims rose slightly, but remained at a good level (COR 96.5%). This was partly attributable to the tight and consistent acceptance policy and the sustained focus on prevention measures, risk management, fraud limitation and cost control. The result, arising from the release of provisions for general insurance, declined sharply.

Organisation

To achieve greater synergy and reduce costs, Erasmus General will be integrated into Delta Lloyd General in 2009. OHRA and Delta Lloyd will buy their general insurance products from the Personal General Insurance Business and the Income & Absenteeism Business.

2.3 Health

The year 2008 was positive due to substantial savings on management costs and a favourable development of the cost of claims from prior years. Despite the organisational pressure, the number of insurance customers grew 3%. The cost of claims for 2008 has so far shown a neutral result for the Health segment. Including the results of the brands (Delta Lloyd and OHRA), an overall loss was sustained in 2008. Research by the Netherlands National News Agency *(Algemeen Nederlands Persbureau / ANP)* showed that the entire health insurance market was loss-making in 2008. The health insurers are expected to suffer a joint loss of about € 135 million on the basic insurance scheme.

In millions of euros	2008	2007
Zorg		
Gross premium income	1,563.0	1,356.8
Investment income	22.7	43.3
Fee and commission income	0.3	6.0
Other operating income	-	-
Total income (excl. reinsurance premiums and movement in premiums reserve)	**1,586.1**	**1,406.1**
Result before tax	-11.5	-30.8
Current tax	-1.8	-12.2
Net result	**-9.6**	**-18.5**
Total capital and reserves	**195.0**	**236.2**
Permanent staff at year-end in FTEs	**354**	**475**

Gross premium income increased by 15% to € 1,563 million (2007: € 1,357 million). The result before tax was negative at € -12 million but, thanks to the lower cost of claims, better than in 2007 (€ -31 million). Due to the increase in group contracts and improved competitiveness, the number of customers grew by more than 22,000.

Transfer to CZ

In mid-2007, the operating activities of the three health businesses had already been merged into a single organisation, Delta Lloyd Health. At the end of 2007, the Group decided to contract a strategic alliance with CZ. The alliance has a 20% share of the health market and a solid top three position. As part of the alliance, the health businesses of Delta Lloyd Group were transferred to CZ on 1 January 2009. This move has already produced savings of € 68 million on management costs. After completion of the integration within CZ, management costs per insured customer are expected to fall below the market average in 2009. Since 1 January 2009, Delta Lloyd Group has marketed its health insurance products under the Delta Lloyd and OHRA brands, with CZ acting as the insurer for these policies.

CZ is a strategic partner of Delta Lloyd Group, opening up cross-selling opportunities to offer CZ customers OHRA personal insurance and Delta Lloyd loss of income insurance. In addition, Asset Management will manage part of the invested assets of the health businesses transferred to CZ on 1 January 2009.

2.4 Asset Management

In 2008, the Delta Lloyd investment funds lost a significant part of their value. Investments in the financial sector were hit particularly hard. Asset Management had a net asset inflow, mainly as a result of institutional investments. The negative market sentiment, lower results and strong competition dampened the popularity of third-party investment funds (Delta Lloyd funds distributed by other providers, such as ABN AMRO or Rabobank). Owing to the turbulence in the financial markets, assets under management declined. The size of the property portfolio remained stable.

In millions of euros	2008	2007
Fund Management		
Investment income	-2.5	2.0
Fee and commission income	107.8	123.8
Other operating income	0.0	0.7
Total income (excl. reinsurance premiums and movement in premiums reserve)	**105.3**	**126.5**
Result before tax	12.6	34.2
Current tax	2.9	8.3
Net result	**9.7**	**25.9**
Total capital and reserves	**50.1**	**64.1**
Permanent staff at year-end in FTEs	**165**	**122**

Due to the decline in the market value of the portfolio, Delta Lloyd Asset Management achieved lower income in 2008 compared to 2007. The management fee is entirely dependent on the development of the net asset values of the various investment funds. The values of equity funds decreased sharply in the year under review.
The Delta Lloyd Group investment funds performed in line with the internal benchmark. One positive exception was the Delta Lloyd Europa Fonds, which realised an outperformance of 4%.

The direct return of the property portfolio (rental income) was satisfactory, at 5%. This was driven by higher rental income. The indirect return (value increases), however, came under pressure due to market conditions. Overall, the property portfolio achieved a total return of over 3%. The size of the property portfolio remained stable at € 2.2 billion, while the average vacancy rate decreased to below 3%. The Group's total assets under management rose to € 68.2 billion (2007: € 66.6 billion).

The market for investment funds was not favourable in 2008. Customers are opting for more security, which investment funds are unable to offer in the current market climate. One advantage of investment funds is that they offer diversification and help to spread risks. Funds also offer opportunities, provided that the investments are well-timed. The same applies to Private Equity funds that invest in companies with a net asset value far in excess of the market value.

2.5 Banking

The banking sector was in a serious state of flux. The large-scale rotation from investments to savings led to a marked growth in savings deposits. Various major banks in the Netherlands and surrounding countries received support from the national governments. House prices fell and several discounters withdrew from the mortgage market. As a result, insurers and universal banks are once again the main mortgage lenders. Banks seem reluctant to extend credit. The Dutch credit market contracted by 11% in comparison with 2007.

Since 1 January 2008, new legislation has paved the way for banking products that offer similar tax advantages to insurance products. Early in 2008, Delta Lloyd Bank became one of the first providers to market such products. The ZekerPlusHypotheek was an immediate success. It won the *Telegraaf* financial product of the year award for 2008, based on its proven innovative drive and competitiveness. The ZekerPlusHypotheek also won an Institute for International Research (IRR) nomination in the category 'Mortgage Product of the year 2008'.

In millions of euros	2008	2007
Bank		
Investment income	308.1	348.0
Fee and commission income	61.9	80.5
Other operating income	1.9	6.9
Total income (excl. reinsurance premiums and movement in premiums reserve)	**371.9**	**435.4**
Result before tax	-162.7	7.2
Current tax	-48.3	-1.3
Net result	**-114.4**	**8.5**
Total capital and reserves	**254.6**	**311.9**
Permanent staff at year-end in FTEs	**1,245**	**1,258**

In financial terms, the banking activities suffered severely from the credit crisis. Income decreased, due to poor interest and mortgage margins in the first half of the year and sharply lower fee and commission income. Furthermore, the value of the proprietary investment portfolio declined sharply (€ -193 million), which was partly (€ -75 million) charged to income. Overall, the banking activities showed a pre-tax result of € -163 million (2007: € 7 million).
Customer interest in investing waned sharply. Far fewer transactions were executed and many customers opted to shift their money from investments into savings. Savings deposits consequently swelled to € 2.4 billion (2007: € 1.7 billion). Mortgage origination decreased from € 2.1 billion in 2007 to € 1.8 billion in 2008. The market share of Delta Lloyd rose to 1.4%, partly due to the reduced number of mortgage providers.
The banking activities in Belgium expanded, with the credit portfolio and the deposit portfolio growing by 12% and 13% respectively. Here, too, savings deposits showed a marked increase.

Hedge accounting was introduced at Delta Lloyd Bank Belgium in October 2008. This step was taken to reduce the volatility in ALM swaps. In 2008, a negative difference of € 111.5 million was realised on ALM swaps in Belgium. Due to the use of hedge accounting, € 80.7 million of this loss was adjusted, leaving a net loss of € -30.8 million.

The financial results for 2008 necessitate further cost reductions and margin improvement. The first contours of these measures became visible in 2008 in the form of cost savings and product

rationalisations that were realised and announced. This simultaneously creates room for investments in the focus areas (mortgages and banking provisions for the future).
On 1 January 2009, Delta Lloyd Bank Netherlands discontinued the acceptance of new consumer credits and increases in existing credits. The reasons for this decision are the focus on products involving long-term relationships with customers, the limited size of the credit business of Delta Lloyd Bank Netherlands and the difficult economic conditions.

Bank saving

Since 1 January 2008, new Dutch legislation has permitted banks to offer products that are just as tax-efficient as insurance products. Following the introduction of the Act on tax-facilitated bank saving *(Wet fiscale facilitering banksparen)* for pension accumulation and home loan repayment, bank annuities and home mortgage savings accounts have made their appearance in the market. The principal aim of the new Act is to cut the consumer's costs by introducing more competition. In 2008, banks made their first steps into the life market. This resulted in more competition, particularly in individual life products.
Delta Lloyd Group is both an insurer and a bank, and anticipates the new dimensions of the commercial playing field wherever possible. The insurance arm is stepping up its efforts to trim costs, create transparency, develop new products and retain existing customers. Delta Lloyd Bank captures the market opportunities and was one of the first providers to launch new products (e.g. the ZekerPlusHypotheek).

3 The brands in 2008

The various business units of Delta Lloyd Group were successful in generating new business in the year under review. Delta Lloyd Insurance won several large group pension contracts and the general insurance portfolio also grew (up 10%). At OHRA, the general insurance portfolio grew as well. Asset Management and Delta Lloyd Bank operated in turbulent markets. In Belgium, both Delta Lloyd Bank and Delta Lloyd Life achieved growth. Delta Lloyd Germany gave a moderate performance in a depressed market. The results of the Delta Lloyd Group businesses were affected by the credit crisis, which mainly involved valuation effects.

3.1 Delta Lloyd Insurance

The core activities of Delta Lloyd Insurance are life, pensions, general, income and health insurance. One key characteristic of Delta Lloyd is its intensive cooperation with independent and professional intermediaries. Delta Lloyd seeks to gain in-depth knowledge of entrepreneurs and consumers, and offers its customers secure, well-considered solutions that benefit them. Delta Lloyd uses its fundamental insight to respond to developments in society and the ever-changing needs of both commercial and personal customers. Erasmus Insurance also forms part of this division; it is active in the personal and commercial general insurance market and the personal life insurance market.

3.1.1 Result

In millions of euros	2008	2007
Delta Lloyd Insurance		
Gross premium income, Life	2,771.9	2,241.8
Gross premium income, General	907.9	817.0
Gross premium income	**3,680.0**	**3,058.6**
Investment income	804.2	828.8
Fee and commission income	38.8	30.6
Other operating income	21.5	28.0
Total income (excl. reinsurance premiums and movement in premiums reserve)	**4,544.4**	**3,946.0**
Result before tax	362.7	704.8
Current tax	130.5	67.8
Net result	**232.2**	**637.1**
Total capital and reserves	2,103.3	3,429.1
Permanent staff at year-end in FTEs	1,789	1,756

The premium income of Delta Lloyd Insurance showed robust growth, rising from € 3,059 million in 2007 to € 3,680 million in 2008 despite the difficult market conditions. Both the life business and the general business made important contributions to this increase. The life business (up 24% to € 2,772 million) received a particularly strong impulse from several large new pension contracts, while the general business (up 11% to € 908 million) advanced across the board. The negative developments in the financial markets in 2008 had a major impact on the results of Delta Lloyd

Insurance. This mainly involves write-downs on equities and investment funds (impairments) and the sale of bonds (negative realised capital gains). These losses stem mainly from the stock market decline and interest rate movements triggered by the turmoil in the financial markets. The result before tax fell by 49% from € 705 million in 2007 to € 363 million in 2008.

Organisation

No new acquisitions were made in 2008. Eurolloyd was fully integrated into Delta Lloyd Insurance, while the integration of Erasmus Insurance made substantial progress and will be completed in 2009. On 1 January 2009, the various business units of Erasmus Insurance were merged with Delta Lloyd Life and Delta Lloyd General.

The marketing and sales department was reorganised in 2008 with the aim achieving a more market-oriented approach. This already produced positive results in 2008. The cost-saving programme initiated in 2007 was continued in 2008, but with only limited visible results. The cost reduction efforts will be stepped up in 2009.
On 1 January 2008, a 'Pensions Knowledge Centre' was started up, marking a further step in the Sharing programme. The knowledge centre brings together the expertise available within Delta Lloyd Life and ABN AMRO Insurance across a broad spectrum of disciplines including insurance, risk management, pricing, functional management and knowledge management.

Eurolloyd, NOWM Insurance and Risk Consultants were fully integrated into Delta Lloyd General and a project was started up to reinforce growth. This project, aimed at increasing policy density through cross-selling and sector-specific products and packages, boosted customised new business and also led to growth in the Entrepreneur Package. The result was the formation of the new 'Entrepreneur Package' insurance centre.

3.1.2 Delta Lloyd Life

Gross premium income advanced by 24% compared with 2007 and previous years, mainly driven by group pension contracts (which accounted for premium income of approximately € 1.4 billion). The policy initiated in 2007, when the combination of innovative power, good administrative performance and competitive pricing translated into a sharp rise in premium income, was also successful in 2008. Both companies and pension funds placed their pension plans with Delta Lloyd Life. In 2008, Delta Lloyd Life explicitly focussed on retaining existing contracts.

Changing legislation placed significant pressure on the organisation in 2008. In particular, the adjustment of the organisation to the requirements of the new Pension Act, which came into force on 1 January 2008, demanded a major effort. Insurance companies are obliged to provide customers with annual pension statements based on a uniform model. Delta Lloyd Life was one of the first companies in the Netherlands to do so, starting in 2007. The preparations for the operational processing of the agreement on unit-linked insurance policies are well underway and will constitute a heavy operational burden in 2009.

3.1.2.1 Strategy/objective

Delta Lloyd Life is mainly targeting growth in the group pensions segment. The aim in the individual segment is to maintain the current position in a shrinking market, with a particular focus on traditional products and cost reductions.

3.1.2.2 Priorities for 2009

- Premium growth; the focus is on growth in the group pensions market.
- Process optimisation and cost reductions of group pensions via chain integration and the application of service concepts.
- Individual market focused on traditional business (commodities) and compliance / transparency.
- Process optimisation and cost reductions of individual products; the improvement actions initiated in 2008 will be continued and, in addition, investments will be made in chain integration.
- As in 2008, the new Dutch pension act and the pension register will require substantial investments in 2009.
- Delta Lloyd Life aims to retain its leading position in the field of pension communications.
- Improving confidence, customer satisfaction and service levels will also feature prominently on the agenda for 2009.

3.1.3 Delta Lloyd General

Despite stiff price competition in 2008, gross written premiums grew – largely organically – by 11% to € 908 million. In the year under review, NOWM was included in the figures of Delta Lloyd General for the first time. The main drivers of growth were income insurance, commercial fire insurance, business liability insurance and transport insurance. In addition, growth in the Xclusief line was sustained. This involved car, homeowner and pleasure boat insurance. The general insurance performance survey showed appreciation among intermediaries for the Xclusief line. Building on this positive outcome, a plan has been drawn up to capture a solid position in this market segment.

3.1.3.1 Strategy

Delta Lloyd General is continuing to expand its position as a leading general insurer through a challenging growth strategy, a reduction in the cost ratio and by distinguishing itself in knowledge and expertise. For commercial and income underwriting business, this translates into the ambition to build market share. The ambition for personal underwriting business is mainly aimed at reducing the cost ratio.

3.1.3.2 Priorities for 2009

- Sustaining accelerated growth;
- Acquisition and portfolio takeovers;
- Further cost reductions and process optimisation.
- The Income & Absenteeism Business was set up on 1 January 2009 as part of Delta Lloyd General.

3.2 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 customers, including pension funds, and management of the Delta Lloyd Group investment funds. Delta Lloyd Property invests in property both for the Group's operating companies (to secure adequate cover for long-term insurance liabilities) and for third parties. 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.

3.2.1 Result

In millions of euros	2008	2007
Delta Lloyd Asset Management		
Result before tax	20.7	36.7
Assets under management	45,134.6	43,522.6
Permanent staff at year-end in FTEs	137	156

Despite the challenging market conditions, Delta Lloyd Asset Management achieved a satisfactory investment result in 2008. Delta Lloyd Group's proprietary financial assets portfolio outperformed the benchmark. The hedges taken out against falling equity prices and falling capital market interest rates were particularly instrumental in this result.

Investment funds

The performance of all Delta Lloyd Group equity funds was negative in 2008, although the Delta Lloyd Europa Fonds and the Delta Lloyd Nederland Fonds outperformed the benchmark. The fixed income funds broadly performed in line with the benchmark.
No new investment funds were launched in 2008, partly because of the depressed stock market and investment climate, as well as the outflow of billions from the European investment fund market. In this environment, the expansion of the distribution network (banks, insurers and fund-of-fund managers) was stepped up, notably in Germany and Belgium, in order to be well-placed to respond to a market recovery. For efficiency reasons, a number of OHRA Theme Funds were merged into a single legal entity.

Cyrte Investments

Cyrte Investments manages a number of funds with a unique investment philosophy. The Cyrte funds have an excellent track record, with a specific focus on developments in media, telecommunications and technology. Institutional investors are showing great interest in Cyrte.

Sustainable investment

In 2008, a joint venture of Delta Lloyd and Rabobank became co-owner of Econcern, a renewable energy company that is the Netherlands' biggest investor in renewable energy. The activities include the development of wind farms, the construction of biomass installations and the placement of solar panels. Delta Lloyd holds 50% of the shares in Econcern, together with Rabobank and fellow shareholder SHV. The other half of the company is management- and employee-owned. The joint venture gave Econcern a capital injection of € 300 million. A stock exchange flotation is foreseen in the mid-term.

In 2008, sustainability criteria were set for all investments that Delta Lloyd Asset Management manages for the insurance companies and investment funds of Delta Lloyd Group. From January 2009, a ‘Sustainable Investment Policy Committee' will advise the Board of Delta Lloyd Asset Management on sustainable investment policy and its proper enforcement. This is being done in co-operation with Dutch Sustainable Research, which supplies Delta Lloyd Asset Management with ‘blacklists' of companies excluded from investment because they do not comply with the UN Global Compact criteria and standards (human rights, labour rights, controversial weapons, the environment and anti-corruption). At minimum, all Delta Lloyd's investments meet the UN Global Compact guidelines.
Delta Lloyd Asset Management manages a number of sustainable investment funds of Triodos Bank, and pursues an investment policy that meets the Triodos Bank sustainability criteria.

Delta Lloyd Asset Management received the SAS 70 type II statement for its institutional investors.

Delta Lloyd Property

Developments in the sector helped to bring about a change in the property climate. However, the financial crisis also left its mark on the portfolio performance. The direct return on the property portfolio was a satisfactory 5% due to higher proceeds. The indirect return from realised and unrealised value movements was negative as a result of market conditions**.** The vacancy rate fell to below 3%, thanks in particular to favourable rental transactions in the office portfolio.
The Delta Lloyd Dutch Property Fund realised its first successful closing in the second quarter of 2008. Institutional investors can participate in this unlisted mixed fund, consisting of Dutch property in the residential, retail and office sectors.
The procedure manual, which outlines all internal property processes and controls, was updated.

This manual formed the basis for the issuance of the Property Development SAS 70 type I statement that was received in 2008.

3.2.2 Objective/strategy

Asset Management

Delta Lloyd Asset Management is 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 third-party banks, insurers that apply open architecture and fund-of-fund managers. In addition, Delta Lloyd Asset Management wants to step up distribution in the German and Belgian markets. A strong brand, clear product propositions and consistent investment processes with a high investment result are preconditions for growth.

Property

Delta Lloyd Property aims to develop from a traditional property manager into a property fund manager for all the Group's divisions, as well as third parties. 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 and solid returns. This stability, based on a constant and index-linked flow of rental income, means that the property component in the investment portfolios of pension funds and insurers is expected to increase in the future.

3.2.3 Priorities for 2009

Asset Management

- Expansion of the distribution network: through the deepening and expansion of third-party distribution in the Netherlands, Belgium and Germany.
- Centralisation of the asset management function across the Group.
- Building up a fiduciary pension proposition through targeted acquisition.
- Optimising and renewing the range of investment products.
- Ongoing construction of a risk management framework.

Property

- Growth of the fund portfolio and optimisation of the Delta Lloyd portfolio through the acquisition of direct and indirect property investments.
- Increase third-party interest in the Delta Lloyd Dutch Property Fund.
- Expand property fund management activities through increased distribution power and targeted use of marketing.

3.3 Delta Lloyd Bank

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 offers its customers a full range of products and services, through a growing number of bank branches and independent agents. In the Netherlands, savings, mortgage 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 via third parties.

3.3.1 Result

In millions of euros	2008	2007
Delta Lloyd Bankinggroup		
Investment income	282.0	320.1
Fee and commission income	44.2	54.6
Other operating income	1.4	6.7
Total income (excl. reinsurance premiums and movement in premiums reserve)	**327.6**	**381.4**
Result before tax	-148.7	12.4
Current tax	-45.2	0.0
Net result	**-103.4**	**12.3**
Total capital and reserves	339.8	310.3
Permanent staff at year-end in FTEs	1,198	1,166

3.3.2 Market developments

3.3.2.1 Delta Lloyd Bank Netherlands

In financial terms, Delta Lloyd Bank clearly suffered from the credit crisis. Income decreased due to poor interest and mortgage margins in the first half of 2008 as well as significantly lower fee and commission income. On top of this, the proprietary investment portfolio declined sharply in value (€ -193 million), which was partly (€ -75.3 million) charged to income. The credit crisis was the most important factor for Delta Lloyd Bank in 2008. The financial results for 2008 necessitate further cost reductions and margin improvement. The first contours of these measures became visible in 2008, in the form of cost savings and product rationalisations that were realised and announced. This simultaneously creates room for investments in the focus areas (mortgages and banking provisions for the future).
The credit crisis prompted consumers and financial intermediaries to look more critically at the quality of providers. This gave an impulse to Delta Lloyd Bank's mortgage sales (+11%) and OHRA

Bank's savings accounts (+40%). The Delta Lloyd internet savings account launched in 2008 and bank annuities got off to a promising start.

Mortgages

The credit crisis brought about changes in both the demand and the supply sides of the mortgage market. Due to rising mortgage interest rates and falling consumer confidence, mortgage sales declined. As mortgage funding became ever scarcer, several providers (notably discounters) disappeared from the market. Thanks to the quality of its mortgage portfolio and the financial strength of Delta Lloyd Group, particularly in the second half of 2008, Delta Lloyd Bank was able to offer customers sound mortgage propositions. The reduced number of mortgage providers and Delta Lloyd Bank's good product offer led to an increase in market share.
Since 1 January 2008, bank savings earmarked for pension accrual and mortgage repayments have been given the same tax treatment in the Netherlands as insurance products. Delta Lloyd Bank was one of the first providers to respond to this development by introducing both a mortgage repayment product (the ZekerPlusHypotheek) and a bank annuity. The income from these products and the reactions in the market show that Delta Lloyd Bank is responding successfully to the changing market.

Delta Lloyd's mortgage products regularly received positive publicity in 2008. The ZekerPlusHypotheek won the *Telegraaf* financial product of the month award in January 2008, the *Telegraaf* financial product of the year award for 2008, an IRR nomination as best mortgage of the year and a Blauw Research nomination for the 'Gouden Spreekbuis' (biggest improvement in intermediary ratings).
Customer interest in investment waned sharply. Far fewer transactions were executed and many customers opted to shift their money from investments to savings. The outflow from investments totalled € 88 million, while there was an inflow of savings of € 400 million.
Interest and mortgage margins appear to be recovering and asset values are expected to pick up in due course.

3.3.2.2 Delta Lloyd Bank Belgium

In 2008, Delta Lloyd Bank Belgium continued to grow. The credit portfolio increased by 12% to € 4.4 billion, while the deposit portfolio rose 13% to € 4 billion. Some successful campaigns (such as the launch of an internet savings account in the final quarter) certainly contributed to this result. Within a short period of time, no less than 12,000 new accounts were opened. The credit portfolio saw overdraft facilities rise 28% compared to the start of 2008. The mortgage portfolio advanced 13% to almost € 3 billion. The new Business Banking line got off to a good start: lending grew by 10%. This business line has a high cross-selling rate for other products.
Off-balance sheet activities had a difficult year, ending 6% lower than in 2007 (including the impact of market movements). The term 'off-balance sheet products' is commonly used in Belgium to describe all customer investments in products not shown on the bank's balance sheet, such as investment funds of Asset Management, unit-linked insurance policies (Delta Lloyd Life) and structured products. In contrast to 'on-balance sheet' products, where the interest margin yields 'income', off-balance sheet products generate fee and commission income. In the latter case, therefore, Delta Lloyd Bank acts as intermediary.
Together, the deposit, credit and off-balance sheet portfolios concluded the year with 3%growth, including market impact.

3.3.3 Organisation

3.3.3.1 Delta Lloyd Bank Netherlands

In 2008, the organisation was transformed from a business unit organisation to a centralised structure divided into Commerce and Operations. This has led to greater agility, less duplication, clearer responsibilities and greater efficiency.

3.3.3.2 Delta Lloyd Bank Belgium

In 2008, Delta Lloyd Bank Belgium further expanded its three business lines (Retail Banking, Private Banking and Business Banking), particularly through the formation of a Business Banking Board. Direct sales were given a fresh impulse with the launch of an internet savings account and current account and received a boost from targeted commercial actions among existing customers by the Central Sales Department.
Internal quality improvement was another spearhead in 2008: the 'Basic Instinct' workshop called upon local branch staff to put forward and carry out improvement projects. These projects are expected to bear fruit in 2009. Cost control was also a priority in 2008. The rising back office production was achieved with fewer FTEs.
The distribution network comprised 256 sales outlets at the end of 2008 (95 branches and 161 independent agencies). Delta Lloyd Bank Belgium remains the most important distribution partner of Delta Lloyd Life.

3.3.4 Strategy

Delta Lloyd Bank aims to grow further in both the Netherlands and Belgium. The changing market for financial services offers scope for this objective. The primary focus of Delta Lloyd Bank in this connection lies on increasing its distribution capabilities. In the Netherlands, this expansion is to come from existing channels. In Belgium, alongside healthy profit growth, the emphasis is on raising the number of sales outlets, increasing the number of commercial staff within a branch and further expansion of internet banking. In addition, further efficiency improvements will be pursued through rationalisation of products, systems and processes.

3.3.5 Priorities for 2009

Netherlands

- Increase income, notably from mortgages and tax-driven savings products.
- Increase distribution capacity through better utilisation of existing channels.
- Improve competitive position and profitability through a strong focus on efficiency improvements, cost reductions and product streamlining.

Belgium

- Ongoing attention to cost savings.
- Further deepening of the CRM tool and the ‘Central Sales’ Board.
- Further expansion of the internet channel.
- Rationalisation of back office processes.
- Implementation of improvement projects.
- Quality improvement processes via Balanced Scorecard and IQ.

3.4 OHRA Insurance

OHRA distributes its life, general and health insurance products direct to the customer or via distribution partners. Personal and commercial customers can count on products and services that cater to their needs. Interaction and transactions with customers mainly take place via the internet and telephone. OHRA draws on in-depth knowledge of consumers to tailor products to their needs. Transparency and clarity are the guiding principles. National Savings Fund (NSF) and Virtes also form part of the OHRA organisation.

NSF engages primarily in online insurance activities, with a focus on personal general insurance and funeral expenses insurance. NSF is a prominent player in several niche markets, including insurance for pets and funeral expenses (benefits-in-kind).

Virtes develops online distribution concepts for large groups of consumers who are active or affiliated to its distribution partners.

3.4.1 Result

In millions of euros	2008	2007
OHRA Insurance		
Gross premium income, Life	386.4	455.0
Gross premium income, General	177.0	166.7
Gross premium income	**563.4**	**621.7**
Investment income	-220.7	133.0
Fee and commission income	15.2	28.7
Other operating income	8.7	-1.0
Total income (excl. reinsurance premiums and movement in premiums reserve)	**366.5**	**782.4**
Result before tax	-110.1	36.1
Current tax	-25.6	5.0
Net result	**-84.6**	**31.0**
Total capital and reserves	139.0	316.7
Permanent staff at year-end in FTEs	622	779

The total premium income of OHRA Insurance in 2008 amounted to € 563 million (2007: € 622 million). General insurance premium income was slightly higher at € 177 million. Virtes made its first material contribution to this growth and clearly sustained its upward trend. However, Life premium income fell by 15% to € 386 million due to market conditions.
The result was under severe pressure and declined from € 31 million in 2007 to an € 85 million loss in 2008. Although the operating result remained positive, the life business was confronted with strongly negative investment income as a result of the credit crisis, due in part to credit spreads and sharply lower equity valuations.

3.4.2 Market developments

3.4.2.1 OHRA Life

The Immediate Annuity product realised high volumes, thanks to effective marketing and competitive pricing during promotional periods. A successful partnership was set up with Monuta. The cooperation consists of the joint development of a funeral expenses and benefits-in-kind insurance.

3.4.2.2 OHRA General

The commercial activities for key products (mainly car insurance) produced good results.
Cross-selling (to CZ health customers) was particularly successful and customer retention improved sharply. Due to the difficult market conditions, margins were under significant pressure.
Price competition in the Income & Absenteeism market (e.g. Work and Income (Ability to Work) Act, partial disability insurance, absenteeism insurance, occupational disability insurance for the self-employed) is fierce. OHRA is aiming for profitable growth in this market and therefore does not always take part in price competition. This impedes portfolio growth.
The campaigns for occupational disability insurance for the self-employed were successful. Activities aimed at the education and public sectors, where opportunities are offered by the Work and Income (Ability to Work) Act, are high on the agenda for 2009.

NSF

Through intensification and improvement of the sales process, new business tripled compared to 2007 to 38,500 new policies. Several activities were discontinued, including the sale of savings-linked insurance schemes via Young Life and the sale of mortgages via the Mortgage Fund for Civil Servants *(Hypotheekfonds voor Overheidspersoneel / HvO)*.

3.4.3 Organisation

In 2008, Delta Lloyd made the necessary preparations to make the strategic alliance with CZ Health a success and the strategic basis was laid for the further expansion of the health portfolio in the coming years. Preparations were also made to effectively align OHRA Insurance with the new organisational units of Delta Lloyd Group: the Personal General Insurance Business and the Income & Absenteeism Business. Cooperation with these units will be developed further in 2009.
The sales unit of NSF, which was mainly active in life insurance, had been unprofitable for some time and was disbanded. NSF is now focusing entirely on the direct customer approach (direct and in cooperation with partners) via the internet. NSF is a top three player in that market.
NV Nationaal Spaarfonds (NSF) and OHRA Levensverzekeringen NV merged into a single legal entity on 1 January 2008.

3.4.4 Strategy

The year 2008 saw the start of the implementation of the new brand strategy based on the brand principles 'OHRA understands, simplifies, saves and you decide'. The following strategy components were implemented.

- Our claim to be the 'most personal direct writer' was given shape through pragmatic propositions tailored to suit the customer's specific life phase. Insight into consumer wishes and behaviour were leading in this context.
- Distribution via partners (employers, government agencies and affinities) is gaining in significance and the expansion of this channel received close attention in 2008.
- The internet is a key priority in the distribution strategy. The 'My OHRA' service, which enables

customers to arrange all their insurance needs with OHRA direct online, went live in 2008. Much effort is being put into the development of a total online customer service concept.

3.4.5 Priorities for 2009

- A strong emphasis on optimisation of the primary process (e.g. efficiency improvements through more automation and elimination of manual processes) and 'fact-based marketing' aimed at customer knowledge, customer value and customer profitability.
- Focus on product/market combinations that will make a significant contribution to this profitable growth.
- Accelerated development of the internet as a channel for comprehensive customer services (buying insurance, viewing & changing details, reporting claims, making enquiries). This eliminates manual processes as well.
- NSF is focusing all its attention on the further expansion of the commercial success of its online distribution channel.

3.5 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 Netherlands and the insurance expertise of Delta Lloyd Group. ABN AMRO Insurance is an 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.

Following the change of control, ABN AMRO Bank Netherlands initially wanted to exercise its right to buy out Delta Lloyd Group and terminate the existing joint venture. The partnership, which was initiated in 2003, has posted good results in terms of both premium income and profitability in recent years. On 31 December 2008, in the light of the changed circumstances in the past half year, both parties arrived at the conclusion that continuation of the successful partnership was the most sustainable option. This means that the joint venture remains the exclusive insurance partner for ABN AMRO's current and future Dutch banking activities. The decision also has the support of the Dutch State, as the shareholder of ABN AMRO. The continuation of the joint venture is an excellent match with Delta Lloyd Group's strategy of serving its customers as a leading insurer through all distribution channels.

3.5.1 Result

In millions of euros	2008	2007
ABN AMRO Insurance		
Gross premium income, Life	574.9	613.1
Gross premium income, General	264.3	267.3
Gross premium income	**839.2**	**880.4**
Investment income	-504.2	49.2
Fee and commission income	50.0	34.0
Other operating income	2.7	4.5
Total income (excl. reinsurance premiums and movement in premiums reserve)	**387.7**	**968.1**
Result before tax	25.9	116.5
Current tax	6.5	31.0
Net result	**19.4**	**85.5**
Total capital and reserves	478.0	482.5
Permanent staff at year-end in FTEs	508	553

The result of ABN AMRO Insurance declined by 78% to € 26 million (2007: € 117 million). The general insurance premium income remained stable; however the life premium income decreased by 6% due to difficult market conditions for personal life products.

3.5.2 Market developments

Partly due to the developments within ABN AMRO Bank, 2008 was a fairly passive year for ABN AMRO Insurance in commercial terms. Despite the problems in the financial sector in general and at ABN AMRO Bank in particular, a (further) increase in customer satisfaction was achieved in 2008. Customers gave a 7.2 (2007: 7.0) score for commercial claims handling and 7.9 (2007: 7.7) for personal claims handling.

3.5.2.1 Life

ABN AMRO Insurance achieved the strongest growth in the term life insurance market in 2008. New business almost quadrupled, mainly thanks to the decision of Florius to place all its term life business with ABN AMRO Insurance.

3.5.2.2 General

Alongside various campaigns and discount promotions, initiatives were undertaken to foster customer loyalty and retention. In the commercial segment, efforts to increase the number of services per customer were successful. In addition, a functionality for the online notification of claims was developed for commercial customers. In order to consolidate and strengthen its market position, ABN AMRO Insurance reduced the premium rates for passenger car insurance (both personal and commercial) and commercial fire insurance. Following a market analysis, the ABN AMRO Occupational Disability Insurance was updated and made more competitive. As a result of a targeted sales drive, more 'Instap' occupational disability policies were sold to entrepreneurs aged between 18 and 50.

3.5.3 Priorities for 2009

The decision to continue the successful joint venture means that Delta Lloyd Group will invest in further enhancement of its operational effectiveness. ABN AMRO Bank will make renewed investments in the marketing of insurance products. In concrete terms, this means that maximum efforts will be made to stimulate sales and effectively align the bank's sales and internet strategies.

3.6 Delta Lloyd Belgium

Delta Lloyd Life, the primary activity of Delta Lloyd Belgium, is headquartered in Brussels and active through the banking, intermediary and direct writing channels. The division primarily targets growth in the market for group pension products (second pillar), as well as expansion in wealth accumulation and classic life insurance.

3.6.1 Result

In millions of euros	2008	2007
Delta Lloyd Belgium		
Gross premium income, Life	462.8	364.2
Investment income	41.2	65.3
Fee and commission income	59.1	12.9
Other operating income	33.4	0.4
Total income (excl. reinsurance premiums and movement in premiums reserve)	**625.2**	**442.8**
Result before tax	-83.1	18.8
Current tax	2.6	-2.3
Net result	**-85.7**	**21.1**
Total capital and reserves	639.5	313.1
Permanent staff at year-end in FTEs	589	308

The division's gross premium income rose by 27% to € 463 million, owing to the acquisition of Swiss Life Belgium. The crisis in the financial markets caused substantial stagnation in single premium business. However, the growth of the past years in group contracts was vigorously sustained (up 20%). The result before tax declined to € -83 million, due to lower investment valuations.

Doubling of market share

The integration of Swiss Life brings substantial added value. The combined product range was rationalised and optimised with a view to the future commercial positioning of the renewed Delta Lloyd Life in the Belgian market. In addition, the takeover of Swiss Life laid the basis for revitalised growth in general insurance activities in Belgium via the Zelia brand. In 2008, an upgrade of the existing general insurance products paved the way for successful synergy between the life and general insurance activities, in order to stimulate growth within the small and medium-sized intermediary sector.

Delta Lloyd Life had previously already distinguished itself with an innovative menu-driven model for occupational pensions. This gives customers the flexibility to divide their contributions over different components such as pension, life or occupational disability insurance, according to their preferences, during the term of the contract.

3.6.2 Market developments

Financial crisis

Belgium was also hard hit by the financial crisis, and became one of its first European victims. Fortis and Dexia took a heavy battering, and are currently in the process of being sold or have largely been nationalised. The insurer Ethias required government support to survive. Thanks to its solid financial position, Delta Lloyd Life did not need to seek assistance from the guarantee fund that was set up for the insurance sector.
The sale of Fortis and, above all, the attendant court proceedings, precipitated the fall of the federal government in mid-December 2008. Various investigations will be conducted into the events surrounding Fortis and the role played by banks in the financial crisis. A committee will seek to define the financial rules of conduct for the coming years. As a socially responsible insurer Delta Lloyd Life is actively participating in that debate.

Pension system

Political turmoil and the credit crisis diverted attention from the reform of the pension system in Belgium. Nevertheless, initiatives were taken in 2008 that must be implemented in the course of 2009 and this will have far-reaching repercussions for the social security landscape. One of these initiatives concerns the National Pension Conference. The aim of this conference is to make the Belgian pension system future-proof. The four key themes are:

- the modernisation and simplification of Belgian pension systems;
- the statutory pensions;
- the supplementary pensions;
- the place of the elderly in society.

The Belgian provision for old age is based on the apportionment method, where the current working population finances the state pensions of current pensioners. In past years, however, the proportion of working over-55s has fallen to 34% compared, for example, to 67% in the Netherlands. Belgium is therefore basically confronted with a ‘double' ageing phenomenon, which has made its pension system unaffordable. In 2005, Belgium made its last major step towards the creation of a new pension system. At the time, the government introduced a ‘generation pact', with measures including a raise in the bridging pension from 58 to 60. The National Pension Conference now wants to go a step further and explore how the social security system can help address the problems created by Belgium's changing landscape. Two examples of changes for which the current pension system does not allow:

- One-third of Belgians who have reached retirement age have had mixed careers as employed / self-employed, and will be confronted with non-synchronous pension systems;
- Women receive less pension because of their career patterns.

The National Pension Conference can present both opportunities and threats for insurers. Delta Lloyd Life does not want to remain on the sidelines in this crucial debate and is seeking to play an active role in the social and political debate. That role includes an important scientific component. The Pension Policy Chair at the Catholic University of Leuven, which was taken over from Swiss Life, has an important part to play in this respect. Delta Lloyd Life will continue to invest in pension research by the team headed by Prof. Jos Berghman.

3.6.3 Organisation

In 2008, investments were made in improving the operational efficiency of group insurance that paralleled growth (20%) in the product range. This led to a renewed operational organisation with improved processes and monitoring of the various steps in the services.

In addition, the organisation was prepared for the September launch of the DL Strategy concept, an insurance programme for all cycles of life. The concept enables customers to combine tax-driven and non-tax-driven savings and investment products, as well as occupational disability and term life insurance, in a single contract. In order to give maximum support to the transition from a product strategy to a concept strategy, substantial investments were made in training courses for all staff.

Distribution

The sales organisation continued to build the foundations for further growth. The focus was on synergy between group and company pensions on the one hand and individual life insurance and wealth accumulation on the other. Delta Lloyd Life actively sought new sales outlets in combination with increased segmentation of the distribution network. The renewed business banking approach means that the cooperation with Delta Lloyd Bank will be further optimised in the coming year, with a view to developing maximum synergy among the active bank agents and branches.

3.6.4 Objectives

The renewed Delta Lloyd Life is pursuing income growth, with a target of € 1 billion in premium income in 2010 through intensified cooperation with Delta Lloyd Bank, further expansion of the intermediary channel, partnerships with other financial service providers and possibly acquisitions. Life insurance in Belgium is part of the Group's core business, as this country still offers plenty of opportunities, notably for pensions. To realise this growth ambition, Delta Lloyd must offer its Belgian customers an excellent service.

The new focus on general insurance will leverage more cross selling through the existing intermediaries of Delta Lloyd Bank and contribute to the attainment of the profitability targets.

3.6.5 Priorities 2009

Increase market share

- Continuation / acceleration of above-market growth to be achieved through e.g. acquisitions or alliances.
- Realise critical mass.
- Further positioning of Delta Lloyd Life as group pension insurer.

Improve profitability

- Improve the new business contribution.
- Improve the quality of the income mix: faster growth in regular premium business than in single premium business, partly through the introduction of new products for the personal market.
- Continued cost reduction through optimum cost control and active management of FTE development (internals and externals).

3.7 Delta Lloyd Germany

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

3.7.1 Result

In millions of euros	2008	2007
Delta Lloyd Germany		
Gross premium income, Life	447.3	447.0
Investment income	30.3	226.1
Fee and commission income	42.6	52.9
Other operating income	1.6	1.7
Total income (excl. reinsurance premiums and movement in premiums reserve)	**534.9**	**727.8**
Result before tax	-107.6	-10.9
Current tax	4.5	0.4
Net result	**-112.0**	**-11.3**
Total capital and reserves	229.5	258.2
Permanent staff at year-end in FTEs	738	780

At € -108 million (2007: € -11 million), the pre-tax result of Delta Lloyd Germany was below expectations. Some market segments showed growth, but others stagnated. The investment income was down 87% on the 2007 figure. The insurance operations of Delta Lloyd Germany remained stable in 2008 compared to 2007. Delta Lloyd experienced the negative effects of obligations relating to guaranteed products.

3.7.2 Market developments

Social security

German social security reforms have entered the next phase. A new Pension Act sets the tone for the future: government pension expenditures are to be cut substantially and citizens must compensate for that loss with supplementary insurance in the private market. The German government is seeking to stabilise its contribution to the costs of state pensions, while maintaining the income levels of the current generation of retirees. This objective means that future pensions see little, if any, increases. From 2012, the statutory retirement age will be raised gradually to 67.

To compensate for lower state pensions in past years, the German government introduced several alternative state-supported products: the 'Riester' pensions in 2001, the 'Basic Pension' in 2005 and, finally, the occupational pension, which is also tax-driven. Recent research by Delta Lloyd Germany shows that demand for such occupational pensions is still fairly weak, particularly in the SME sector. The main cause is a lack of information among employees, combined with a lack of employer initiative to set up schemes. As a consequence, this market segment still offers strong growth potential.

Product development

Developments in the pension field prompted Delta Lloyd Germany to further improve its products in this segment and to offer customers extremely attractive pension propositions. The launch of the enhanced products went hand in hand with an ongoing marketing campaign, supplemented by a PR campaign. This campaign is targeted at employers and highlights the advantages of a good occupational pension plan, particularly in a highly competitive market. The number of Riester and basic pensions has shown steady growth in previous years, a trend that was sustained in 2008.
Sales of unit-linked insurance products were also fairly buoyant in 2008, posting growth of 6.5%. This concerns both private and state-subsidised products. Delta Lloyd is well-positioned in these growth segments. As part of the NEW project, the product portfolio was expanded and improved. These efforts ensured that the unit-linked insurance products of Delta Lloyd Germany consistently ranked in the top five of their segments in 2008.
Sales were supported by a broad range of PR activities and a specific advertising campaign aimed at insurance intermediaries. The renewed website was launched and now offers content for specific target groups. The fruits of these efforts were reflected in the sales figures: unit-linked pension sales, for instance, soared by 47% while the market only grew by 6.5%. As a result, Delta Lloyd Germany managed to build market share.
Growth was also visible in the credit insurance sector, where Delta Lloyd Lebensversicherung is one of the major market players.
In the summer of 2008, Delta Lloyd Germany launched the 'MultiBankenPlattform' with a view to stimulating Delta Lloyd investment fund sales through banks and reinforcing Delta Lloyd's position in the investment market. This platform gives insurance intermediaries access to an overview of all equity and unit-linked investments held by customers in different accounts. In addition, the platform provides highly detailed reports and a tool for optimising performance. Financial advisers clearly appreciate the platform and no fewer than 450 have already registered.

Laws and regulations

In January, the new Versicherungsvertragsgesetz (VVG) took effect. This Act is designed to make insurance products more transparent for consumers and requires, for instance, that all costs in a contract be specified in detail. Delta Lloyd Germany was one of the first to implement the new rules and did so in an innovative manner.
The 'Abgeltungssteuer', a new 25% tax on all capital gains, came into force on 1 January 2009.
In 2007, Gries & Heissel Bankiers AG introduced the 'Superfund', a product that is not directly affected by the new laws and regulations. The product was marketed in 2008.

3.7.3 Organisation

Gries & Heissel Bankiers AG was restructured; the number of locations was reduced from four to two and the staff was cut back.

In June 2008, the fund administration activities of Delta Lloyd Investment Managers GmbH were sold to KAS Bank. The business unit that engages in asset management was merged with the mortgage business and property management to form a brand-new unit named Delta Lloyd Anlagenmanagement GmbH. The former front office of Delta Lloyd Investment Managers GmbH was integrated with Gries & Heissel.

The new sales organisation resulting from the NEW project took shape in 2008. The number of regional offices was reduced and many activities were centralised to increase efficiency and cut costs. At the same time, a new strategy was implemented for the sales organisation. New career opportunities and the possibility of operating branches under the Delta Lloyd brand name attracted new employees.

3.7.4 Strategy

As the largest market in Europe, comprising 83 million consumers, Germany undisputedly offers major growth potential. The focus will be on life and pension products, which form part of the Group's core business. It is clear that the German market is extremely difficult and intensive efforts are required to capture market share. Key factors in Germany remain the need to increase scale and strengthen distribution power. One specific avenue of growth is strategic partnerships with sales organisations.

3.7.5 Priorities for 2009

- Further efficiency improvements and cost cuts are necessary. A cost reduction programme will be implemented in 2009 for this purpose.
- At the same time, Delta Lloyd Germany is striving to grow market share in core markets such as pensions (particularly unit-linked and occupational pensions) and occupational disability insurance.
- Demand for standard life insurance is likely to increase in 2009 due to the financial crisis and the resulting interest in safe products.

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. Corporate governance therefore receives explicit 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 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.

4.1 Delta Lloyd Group structure

Capital and control

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

Legal structure

Delta Lloyd Group provides banking and insurance services and operates under different brand names in the Dutch, Belgian and German markets. Pursuant to Dutch law, the banking and insurance activities must be undertaken through separate companies. The various subsidiaries of Delta Lloyd NV, the parent company, have been clustered into a number of divisions, whereby the corporate structure matches the label structure.

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*), the Netherlands Competition Authority (*Nederlandse Mededingingsautoriteit / NMa*), the Dutch Data Protection Authority (*College Bescherming Persoonsgegevens / CBP*) and the Dutch Health Care Authority (*Nederlandse Zorgautoriteit / Nza*). Delta Lloyd Belgium is under the supervision of the Banking, Finance and Insurance Commission (*Commissie voor het Bank-, Financie- en Assurantiewezen / CBFA*), whilst the Bundesanstalt für Finanzdienstleistungsaufsicht (Bafin) is the primary regulator for Delta Lloyd Germany.

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. In view of its statutory two-tier status, the Group closely monitors all developments that may affect its existing corporate governance structure. Some years ago, 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. Delta Lloyd Group takes the view that Aviva is contractually bound to the co-optation method for the appointment of members to the Supervisory Board. This method assures the interests of all stakeholders. Aviva argues that this contractual obligation no longer exists. To resolve this difference of opinion, it was decided to put this matter to the Amsterdam Court. In 2008, the court ruled in favour of Delta Lloyd Group. Aviva has meanwhile lodged a formal appeal against the court ruling.

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 Group has defined and recorded the objectives and frameworks of authority and responsibility that the business units are required to pursue and adhere to for a wide variety of policy fields. All policy documents are electronically accessible and are updated periodically.

4.2 Supervisory Board and Executive Board

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 members of the Supervisory Board are appointed according to the controlled co-optation method; the members of the Executive Board are appointed by the Supervisory Board.

4.2.1 Supervisory Board

R.H.P.W. (René) Kottman, chairman
P.G. (Pamela) Boumeester
V.A.M. (Vincent) van der Burg (until 14 May 2008)
E.J. (Eric) Fischer
J.G. (Jan) Haars
J.H. (Jan) Holsboer (from 14 May 2008)
A.J. (Andrew) Moss
Ph.G. (Philip) Scott
M.H.M. (Marcel) Smits

4.2.2 Executive Board

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

4.2.3 Curricula vitae of Supervisory Board members

R.H.P.W. (René) Kottman
Chairman
CURRENT POSITION
Management consultant
SUPERVISORY BOARD MEMBERSHIPS
Delta Lloyd Bank NV
Keyrail Exploitatiemaatschappij Betuweroute BV, chairman
NMC-Nijsse International BV
Warmtebedrijf Rotterdam, chairman
Wavin NV
OTHER POSITIONS
Chairman of the Board of Overseers of Medisch Centrum Alkmaar - Gemini Ziekenhuisgroep
Member of the Board of Overseers of Raad van Organisatie-adviesbureaus
Board member of De Baak Management Training Centre
YEAR OF APPOINTMENT
1999
YEAR OF BIRTH
1945
NATIONALITY
Dutch

P.G. (Pamela) Boumeester
CURRENT POSITION
Board chairwoman of NS Poort
SUPERVISORY BOARD MEMBERSHIP
PCM
OTHER POSITIONS
Chairwoman of the Board of Overseers of Informatie Beheer Groep
Chairwoman of the Board of Overseers of TSM (Twente School of Management)
Member of the Advisory Council of Veerstichting
Member of the Board of Overseers of Utrechts Landschap
Board member of Stichting K.F. Hein Fonds
Board member of Ubbo Emmius Stichting
Board member of Frans Liszt Concours
YEAR OF APPOINTMENT
2003
YEAR OF BIRTH
1958

NATIONALITY
Dutch

E.J. (Eric) Fischer
CURRENT POSITION
Extraordinary professor at the University of Amsterdam
OTHER POSITIONS
Member of the Advisory Council of the Dutch Data Protection Authority
Member of the Advisory Council of IG&H Management Consultants
Board member of Stichting Verzekeringswetenschap
Board member of SEO Economisch Onderzoek
Board member of Academie voor VerenigingsManagement (AVVM)
Member of the International Commission on Holocaust Era Insurance Claims
Chairman of the Advisory Council of Chainworks
Board chairman of SNS Reaal Fonds
Board chairman of Paepon
Board chairman of Nederlandse Museum Vereniging and Stichting Museum Jaarkaart
YEAR OF APPOINTMENT
2006
YEAR OF BIRTH
1946
NATIONALITY
Dutch

J.G. (Jan) Haars
CURRENT POSITION
Member of the Management Board and CFO of Corio NV
SUPERVISORY BOARD MEMBERSHIP
Ajax NV
YEAR OF APPOINTMENT
2006
YEAR OF BIRTH
1951
NATIONALITY
Dutch

J.H. (Jan) Holsboer
CURRENT POSITION
Retired
SUPERVISORY BOARD MEMBERSHIPS
Atradius NV
Atradius Credit Insurance NV
PartnerRe Ltd
TD Waterhouse Bank NV
OTHER POSITIONS
Honorary chairman and member of Geneva Association
Chairman of Stichting Vie d'Or
Chairman of Vereniging Pro Senectute
Chairman of Fonds van Hove van Zijll anno 1647
Board member of Stichting Imtech NV
Board member of Stichting Corporate Express NV

Board member of Nationaal Fonds Bijzondere Noden
Member of Beleggingscommissie KWF Kankerfonds
Member of Curatorium Masteropleiding Financial Planning Universiteit van Amsterdam
Member of Program Board Executive Master Internal Audit Universiteit van Amsterdam
YEAR OF APPOINTMENT
2008
YEAR OF BIRTH
1946
NATIONALITY
Dutch

A.J. (Andrew) Moss
CURRENT POSITION
Chief Executive of Aviva plc
OTHER POSITIONS
Vice-chairman of the Chancellor's Insurance Industry Working Group
Board member of the Association of British Insurers
Member of the Chancellor's High Level Stakeholder Group
Member of the Retail Financial Services Group
Member of the European Financial Services Roundtable
Member of the Pan-European Insurance Forum
Board member of the Geneva Association
YEAR OF APPOINTMENT
2007
YEAR OF BIRTH
1958
NATIONALITY
British

Ph.G. (Philip) Scott
CURRENT POSITION
Chief Financial Officer of Aviva plc
OTHER POSITION
Fellow of the Institute of Actuaries (FIA)
YEAR OF APPOINTMENT
2007
YEAR OF BIRTH
1954
NATIONALITY
British

M.H.M. (Marcel) Smits
CURRENT POSITION
Member of the Board of Management and CFO of Royal KPN NV
SUPERVISORY BOARD MEMBERSHIPS
E-Plus Geschäftsführung GmbH
Euronext
OTHER POSITIONS
Member of the Audit Committee of FNV Bondgenoten
Board member of the Prince Claus Fund
YEAR OF APPOINTMENT

2003
YEAR OF BIRTH
1961
NATIONALITY
Dutch

4.2.4 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
Member of the Executive Board of the Dutch Association of Insurers
Member of the Advisory Council of RSM Erasmus University Rotterdam
Vice-chairman of the Executive Committee of Stichting Klachteninstituut Financiële Dienstverlening
Vice-chairman of the Board of Overseers of Stichting Nederlands Philharmonisch Orkest
Member of the Board of Overseers of the Zuiderzeemuseum
YEAR OF APPOINTMENT
1997 Executive Board member, 2001 Chairman
YEAR OF BIRTH
1956
NATIONALITY
Dutch

P.J.W.G. (Peter) Kok
CURRENT POSITION
Member of the Executive Board and CFO of Delta Lloyd NV
SUPERVISORY BOARD MEMBERSHIPS
Delta Lloyd Beleggingsfondsen, chairman
OHRA Beleggingsfondsen, chairman
Triodos Beleggingsfondsen
OTHER POSITIONS
Board member of the Dutch Fund Association
Board member of the Dutch Securities Institute
Chairman of the Investment Policy Committee of the Dutch Association of Insurers
Member of the Financial & Economic Affairs Committee of the Dutch Association of Insurers
Member of the Insurance Statistics Committee of the Dutch Association of Insurers
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 Advisory Council of SEO Economisch Onderzoek
Board member of Amsterdam Partners
Member of the Consumer Focus Steering Group of the Dutch Association of Insurers
YEAR OF APPOINTMENT
2003
YEAR OF BIRTH
1954
NATIONALITY
Dutch

H.H. (Henk) Raué
CURRENT POSITION
Member of the Executive Board of Delta Lloyd NV
SUPERVISORY BOARD MEMBERSHIP
NEWPEL GROUP
YEAR OF APPOINTMENT
2007
YEAR OF BIRTH
1951
NATIONALITY
Dutch

4.3 Dutch corporate governance code

As an unlisted company, Delta Lloyd Group voluntarily applies the Dutch corporate governance code (the Tabaksblat Code) as the guiding principle for its corporate governance policy. Only those provisions that are not relevant in view of the composition of the company's organs and the organisational structure as an unlisted company are not applied. The Group adheres to the code because, as a transparent company, it should pass the test of outside scrutiny. The Corporate Governance Code Monitoring Committee (named after its chairman, J.M.G. Frijns) drew up a new code in 2008 (the Frijns Code) which will replace the current Tabaksblat Code in 2009. Most of the changes, such as explicit attention to corporate social responsibility (CSR), are already standard practice for Delta Lloyd Group.

Exercising voting rights

In the context of compliance with the Dutch corporate governance code, wherever possible Delta Lloyd Group exercises its voting rights at general shareholders' meetings of companies in which it holds a 5% interest. The Group makes use of its voting right to exert influence over the policy of these companies. In 2008, a remote electronic voting system for shareholders' meetings was implemented. As a result, physical attendance is no longer required. During the year, Delta Lloyd Group exercised its voting rights at 52 general shareholders' meetings and 4 extraordinary shareholders' meetings. Reports on voting behaviour during these meetings can be found on www.deltalloydgroep.com/governance.htm.

4.3.1 Differences between the Dutch corporate governance code and corporate governance at Delta Lloyd Group

Delta Lloyd Group does not apply the following best practice (BP) provisions of the code concerning the relationship with the shareholder: 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 the BP 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) do not apply.

The following BP provisions of the Dutch Corporate Governance 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. All new appointments are made in accordance with the Dutch Corporate Governance 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 BP 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 movements in the European Embedded Value. If the set performance criteria are met the 'phantom options' will vest three years after being granted. The payment from the options of any one year is maximised at 200% of twelve monthly salaries for the Chairman of the Executive Board and at 160% for the other members of the Executive Board.
- 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 other 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 BP III.2.1, the Supervisory Board of Delta Lloyd Group includes two non-independent members. Aviva holds 92% of 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 tasks in the best interests of the company.
- 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. Fonds NutsOhra owns all preference A shares. Each ordinary share and each preference A share carries the right to cast one vote. Contrary to IV.1.2, each preference B share entitles the holder to cast 50 votes. Aviva

plc holds 92% of the voting rights in the total issued capital of Delta Lloyd, while Fonds NutsOhra 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, BP IV.3.7 is irrelevant to the company insofar as the use and publication of shareholder circulars is concerned. The other elements of this BP 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 of Principle V.2, an Audit Charter has been drawn up with the approval of the Audit Committee, stipulating the cases in which the external auditor may be commissioned to provide permitted non-audit services and the conditions for this.

4.4 Corporate governance guidelines

One important element of good corporate governance is that the Board of Delta Lloyd Group issues an in-control statement on the control of financial reporting risks. In this context, the Executive Board requires that all divisional boards provide in-control statements, which serve as input for the Group statement. Originally, the Tabaksblat Code actually sought to require a statement on all risk categories, but a focus on the financial reporting risks has become common practice.

In the case of work outsourced by the Board to third parties, it is customary to request service providers to issue an SAS 70 type II statement about the effectiveness of the most important controls. In its contracts, Delta Lloyd Group also negotiates the right to carry out its own audits at the supplier in question. Where suppliers must provide assurances of control extending beyond the financial reporting risks, this can be achieved in practice by expanding the scope of the SAS 70 or by means of a separate audit (third party statement).

In 2008, Delta Lloyd Group received SAS 70 statements from all relevant suppliers, such as IBM. Delta Lloyd, in turn, issued SAS 70 type II statements to large commercial customers in the fields of pensions and asset management.

SOx

In July 2003, the US Sarbanes-Oxley Act, Section 404 came into force in direct response to the Enron scandal in 2002. All US-listed companies are required to be SOx-compliant.

Under the SOx Act, CEOs and CFOs of corporations are accountable for providing reliable annual financial reports and are also held personally liable if the figures prove to be unreliable. The SOx Act imposes rules and requirements that are specifically designed to ensure that companies have more control over their internal financial processes. Companies must be able to demonstrate that they are in control of their internal financial reporting processes so that investors can trust their figures and gain a clear understanding of their results and financial position.

Delta Lloyd Group shareholder Aviva has announced its intention to be SOx-compliant by the end of 2010. As a member of Aviva, Delta Lloyd Group has committed itself to this Aviva group objective. This aspiration is in line with the ambition of Delta Lloyd Group to improve the quality and effectiveness of its control environment and compliance with codes of conduct. An ambitious project for the introduction of SOx over a period of two and a half years was initiated. The internal aim is to complete the SOx cycle by the end of 2009.

In 2008, Delta Lloyd Group made some major strides with its SOx project. The central focus was on a top-down risk-based identification of SOx-relevant process and IT controls and the documentation. In 2009, the SOx controls will be tested for operational effectiveness. A large number of employees attended a SOx training course. At the present Delta Lloyd Group has no plans to achieve independent SOx compliancy. The efforts made are aimed at SOx compliancy at Aviva level.

4.5 Integrity policy

Delta Lloyd Group pursues an active policy to prevent both internal and external fraud. The extent to which the Group and its employees comply with laws and regulations, codes of conduct and internal rules is given shape in the compliance policy.

4.5.1 Fraud

Delta Lloyd Group pursues a zero tolerance policy for all cases of fraud and other incidents. Measures can vary from employee disciplinary action (in the case of internal fraud) and reports to the authorities or the Insurance Fraud Disclosure Office of the Dutch Association of Insurers *(Verbond van Verzekeraars)* to insurance policy cancellations.

Industry-wide fraud prevention plan

In 2006, the Dutch Association of Insurers launched a fraud prevention plan for the general insurance business. This plan, which is known as the Delta Plan, states that socially responsible entrepreneurship also means that fraud-related costs are no longer automatically passed on in premium rates. Delta Lloyd Group is committed to reducing financial crime and the attendant costs by taking preventive measures and repressive action.
Since the start of 2008, work has been ongoing to set up a Fraud & Crime Prevention Department at Group level and to realise the further (organisational) design and embedding of the centralised fraud and crime prevention approach. The activities in the field of fraud and crime prevention are in accordance with the core of the 2006 Delta Plan of the Dutch Association of Insurers. The Integrity Disclosure Office and malpractice reporting under the whistleblower policy have also been placed within the new department.

Act on the Prevention of Money Laundering and the Financing of Terrorism

Money laundering and terrorism financing pose a risk to the integrity of the financial system and (thus) to society's trust in that system. Delta Lloyd Group's policy is being adjusted to the Act on the Prevention of Money Laundering and the Financing of Terrorism *(Wet ter voorkoming van witwassen en financieren van terrorisme / Wwft),* which was introduced on 1 August 2008. This Act brings together the (old) Disclosure of Unusual Transactions Act *(Wet melding ongebruikelijke transacties / MOT)* and the Identification (Provision of Services) Act *(Wet identificatie bij dienstverlening / WID)*.

Results and objectives

- The implementation of campaigns to raise awareness of integrity and fraud. The number of reported and investigated cases has thus increased.
- Further (organisational) development and embedding of the centralised anti-fraud and anti-crime approach.
- Implementation of the ‘Integrity Radar’. In 2008, there was a slight increase in awareness and the application of integrity policy compared to 2007.

Objectives for 2009

- The further centralisation of anti-fraud measures will be high on the agenda for 2009. The initiatives will include the central registration of investigation findings and a further improvement of screening and prevention.

4.5.2 Compliance

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. These measures are not only aimed at fighting fraud and deviant behaviour, but also at promoting solidity, transparency and 'clean' relations among the market parties.
Delta Lloyd Group devotes regular attention to codes of conduct in publications. All the codes of conduct are posted on Sterknet, the Group's Dutch intranet. The staff magazines publish articles on specific codes of conduct and standards for the conduct of business in general. In addition, an integrity magazine - Sterk & Veilig - was published four times and distributed among all employees in the year under review.

Codes of conduct in Belgium

In Belgium, Delta Lloyd Life and Delta Lloyd Bank comply with the industry-based Codes of Conduct for the Distribution of Financial Products. These rules, which govern individual life insurance products, provide clarity regarding the role of the insurance intermediaries and their cooperation with insurers in certain important domains, such as combating fraud, controlling money laundering and customer contract transparency. Delta Lloyd Bank Belgium and Delta Lloyd Life come under the supervision of the Banking, Finance and Insurance Commission (*Commissie voor het Bank-, Financie- en Assurantiewezen / CBFA*), the supervisory authority for the Belgian financial sector.

Codes of conduct in Germany

Delta Lloyd Germany also 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 (Bafin).

Integrity Radar

In 2008, a renewed measurement was carried out by means of the Integrity Radar. The survey focused on three areas: fraud and crime prevention, information and physical security and compliance. The overall targets set for 2008 were achieved. These will be tightened up further in 2009 by setting higher ambitions.

4.6 Risk management in 2008

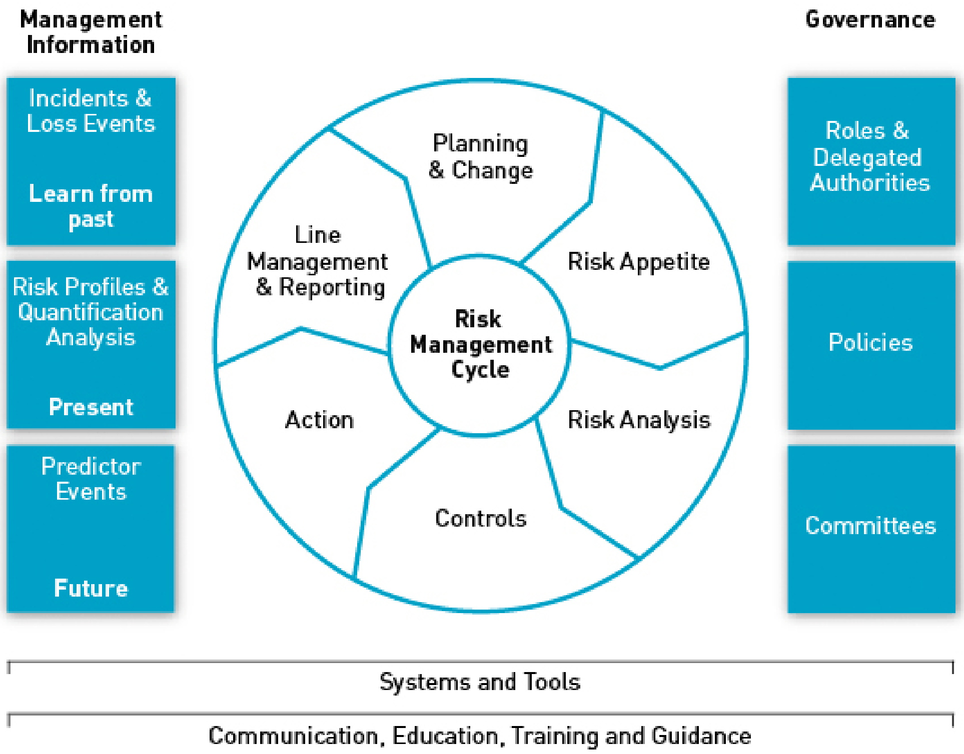
This section sets out the main risks facing Delta Lloyd Group and its methods for controlling these risks. Where possible, insight is provided into the sensitivity of the Group's results to changes in the main economic assumptions. Also included is a statement by the Executive Board concerning the effectiveness of the risk management and control systems in relation to financial reporting risks.

4.6.1 Description of the internal risk management and control systems

The risk management of Delta Lloyd Group is designed to protect the Group against events that undermine the realisation of a sustainable result and the required minimum solvency or impede the attainment of its strategic objectives.

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

1. ‘The Future Secured' strategy and the associated core values that give direction to the risk-aware organisational culture of Delta Lloyd Group.
2. The control exercised by the Executive Board, the Supervisory Board and the various Risk and Audit Committees. The Audit Committee of the independent Supervisory Board of Delta Lloyd Group supervises the overall internal control.
3. An organisational structure with a governance framework that provides for delegated responsibilities and guidelines for the management structure. The boards and management carry primary responsibility for the effective identification, analysis, monitoring and control of risks. The business units have dedicated Audit Committees, which supervise the effectiveness of the business control systems within the respective business units. In 2008, the regulations for the internal governance structure of the legal entities were brought into line with the control structure at Delta Lloyd Group level.
4. The policy principles of Delta Lloyd Group in relation to risk tolerance and risk control. A number of important policy documents have been tightened up, in compliance with the governing risk management policy. The policy is given shape by the Group departments, in consultation with the management of the business units.
5. A risk framework that is based on the Enterprise Risk Management model of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The selected framework relates management information and governance to the risk management cycle, as shown in the diagram below.



Though unlisted, Delta Lloyd Group is committed to compliance with the Dutch corporate governance code as far as possible. The Group applies the best practice provisions of the code on a voluntary basis. Regarding risk management, this mainly concerns provision II.1.4 of the code. Delta Lloyd Group works with the five main risk categories:

- strategic
- financial
- operational
- legal and regulatory
- financial reporting

The Executive Board is responsible for the strategic framework and oversees directly the control of strategic risks. The Group Actuarial & Risk Management department is responsible for the policy in relation to the financial risks (including insurance risks). The Group Integrity department is responsible for the policy on operational and legal and regulatory risks. The financial reporting policy comes under the responsibility of the Group Finance & Control department.

In addition, there is an overall risk management structure: the Financial Risk Committee (FRC), the Insurance Risk Committee (IRC) and the Operational Risk Committee (ORC) in which the risks are analysed and monitored and decision-making for the Group Risk Committee (GRC) is prepared. The GRC is chaired by the chairman of the Executive Board. The group-wide Finance Board deals with the financial reporting risks and is chaired by the CFO of Delta Lloyd Group.

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

- The business units update their risk profiles on a quarterly basis; the outcomes are recorded in the Risk Navigator system. This takes place in the form of a self-assessment by the management, aimed at the control of inherent risks, the effectiveness of existing controls and an estimation of the impact and probability of the residual risks. One important objective in this connection is to reduce the residual risk within the limits of the risk tolerance defined in the policy principles. The consolidated risk profile of Delta Lloyd Group is discussed in the Audit Committee of the Supervisory Board and is also communicated to Aviva, regulators and external auditors.

- In view of the key significance of the financial risks for Delta Lloyd Group, a Financial Risk Report is drawn up and discussed in the GRC on a quarterly basis. Highlighted aspects include developments in the financial markets and their impact on the capital position. In this connection, Delta Lloyd Group makes use of a 'risk-based capital' model that offers support in allocating risk and capital budgets to the various business units. This model, known as the Individual Capital Assessment (ICA) method[1], served partly as the basis of the new solvency model that was developed for European regulatory purposes and is expected to be introduced in 2012 (Solvency II). Based on the test results of the ICA model, the Group took timely management action which helped to partly mitigate the adverse effects of the credit crisis. Alongside the internal sensitivity tests, Delta Lloyd Group also takes account of the Dutch regulations concerning solvency stress testing (Solvency I).
- Regarding operational risk, the banking division and asset management make use of a set of key risk indicators based on the Basel II philosophy. A project group has rolled out an operational loss data registration system for Delta Lloyd Group. This system records all losses above €50,000.
- In respect of the financial reporting risks, work is ongoing to implement a control framework based on Sarbanes Oxley. The aim is to issue an in-control statement with external certification for the year 2009.
- Business units with large corporate clients apply a risk analysis and a risk control method that leads to a verifiable functioning of the internal controls with an assurance statement from the external auditor (SAS 70 type II statements).
- In the year under review, Delta Lloyd Asset Management and Cyrte obtained an SAS 70 type II statement, while Delta Lloyd Property (property development) obtained an SAS 70 type I statement.

1 - This method is linked to the approach adopted by the UK regulator (FSA) for setting equity requirements for insurance companies. Our shareholder Aviva has incorporated the method into the internal control of its subsidiaries. The purpose of the ICA method is to quantify the financial risks, making use of scenarios and stochastic actuarial models. Scenario stress testing is then applied to determine the amount of capital necessary to absorb any risks that actually materialise. In determining the sensitivity of shareholders' equity to movements in interest rates, equity prices and property valuations, assumptions regarding the correlation between these three market risks and diversification effects are modelled. The aggregated risk is thus lower than the sum of all individual risks.

4.6.2 The risk profile explained

The principal inherent risks and any residual risks are clarified below.

4.6.2.1 Strategic risks

Delta Lloyd Group is pursuing strong growth, strong distribution power, a broad range of services, efficiency and cost control. The five strategic pillars under 'The Future Secured' strategy are: reputation, distribution power, efficiency, expertise and embedding the seven core values.

A good **reputation** reflects reliability, integrity and social responsibility. The confidence of the customers and other stakeholders is crucial to the continuity of Delta Lloyd Group. The Group therefore took the initiative to kick-start the debate about unit-linked products[2] and is committed to transparency with reduced costs for new sales. The breakthrough in this debate followed in September 2008. Delta Lloyd Group reached an agreement with activist consumer groups on financial compensation for holders of individual unit-linked policies. In compliance with the earlier recommendation of the Ombudsman, the agreement provides for a maximisation of costs per policy at maturity. Delta Lloyd Group has earmarked € 410 million for the arrangement, including a maximum of € 30 million for a special fund for customers in 'distressed' situations. This agreement represents a costly step for the Group, but it is necessary in order to safeguard its continuity and social responsibility, as well as to strengthen consumer trust in the insurance industry.

In the spring of 2008, the Amsterdam court ruled on how the governance relationship with the majority shareholder Aviva should be designed. Delta Lloyd Group takes the view that Aviva is contractually bound to the co-optation method for the appointment of members to the Supervisory Board. This is in the best interests of all stakeholders. The court ruled in favour of Delta Lloyd Group. The articles of association were subsequently amended at an extraordinary general meeting of shareholders. Aviva has meanwhile lodged a formal appeal against the court ruling.

Anticipating and responding to changing market conditions is part of good entrepreneurship. Delta Lloyd Group aims to rigorously test existing and new products for compatibility with its CSR policy. During the past year, the Group strove to increase turnover from sustainable products and to generate acceptable results. The Delta Lloyd Water & Climate fund is a case in point.

The past year was a challenging time for implementation of 'The Future Secured' strategy. The global crisis of confidence demanded a great deal of management attention, but also presented opportunities. Delta Lloyd Group has the ambition to achieve a top three position in the Dutch insurance market by 2010. At the end of 2008, the Group ranked among the top five insurance companies in the Netherlands.

To achieve the formulated strategy in relation to **distribution power**, heightened efforts and a sharpened focus are still required. With the integration of Swiss Life Belgium from 1 July 2008, the Group doubled its share in the Belgian life market. However, the German insurance market continues to be a source of concern.

The decision on 31 December 2008 to continue the successful ABN AMRO Insurance joint venture represents a sustainable consolidation of the distribution power. The partnership that was initiated in 2003 has posted good results in terms of both premium income and profitability in recent years. The joint venture thus remains the exclusive insurance partner for ABN AMRO's current and future Dutch banking activities.

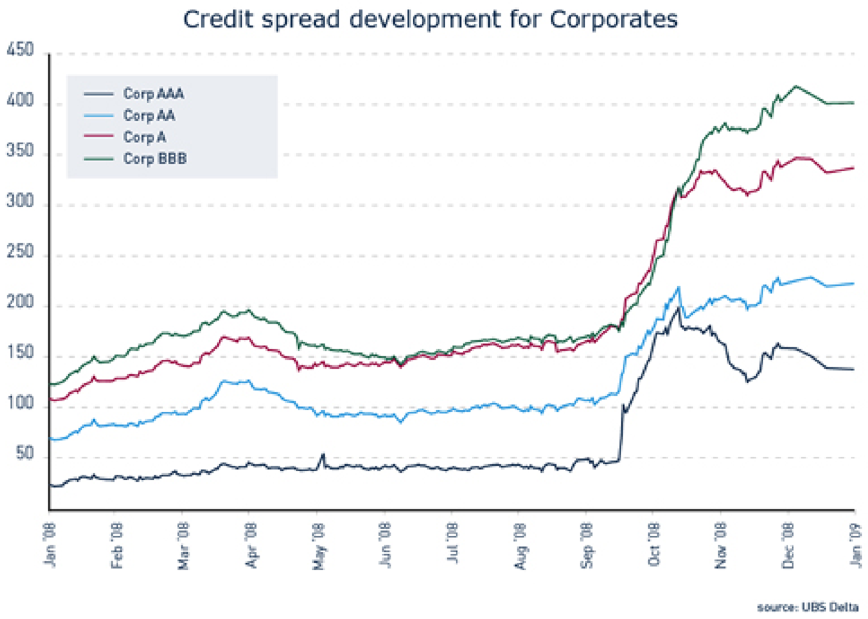
In the field of health insurance, Delta Lloyd Group decided in 2007 to contract a strategic alliance with CZ health insurance. In 2008, Delta Lloyd further improved its services and prepared the transfer, in cooperation with CZ. From 1 January 2009, CZ will bear the financial and insurance risks and take care of all settlement processes.

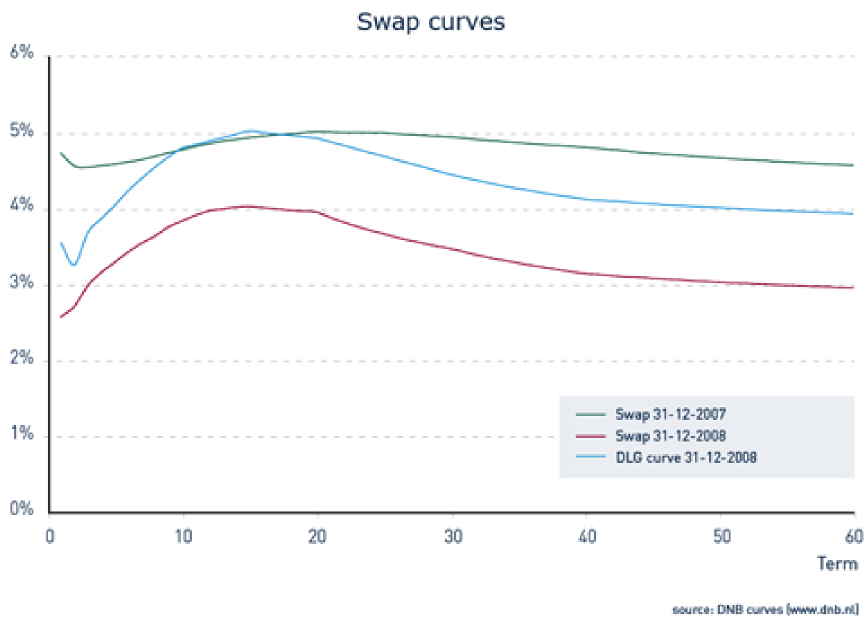
Alongside acquisitions and joint ventures, Delta Lloyd Group can also improve its market position through organic volume growth. In 2008, as in 2007, the Group took over a number of large pension contracts.

2 - Unit-linked products are policies in which the policyholder bears the investment risks relating to the number of units that he holds in the associated Delta Lloyd investment funds. The benefits of the policy are directly linked to the value of the funds' assets. The market risks to which Delta Lloyd is exposed in this segment are limited. The market risk for the shareholder of Delta Lloyd is limited to the management fee income, which is based on the value of the funds' assets.

4.6.2.2 Financial risks

The financial position of Delta Lloyd Group is good. After the tremendous decline in the financial markets, the solvency ratio was 190% at year-end 2008.





A. Market risk

Market risk concerns the risk of losses due to changes in the present value of future cash flows from financial instruments as a result of movements in interest rates, equity prices, property prices or exchange rates.

Market risk management is carried out both in the divisions and at Group level. The divisions must operate in accordance with their specific market risk frameworks and the local regulatory frameworks. The company also takes account of the justified risk-return expectations of the various groups of policyholders. The market risk policy is applied to the financial assets as a whole, i.e. both the assets relating to the commitments to policyholders and those belonging to the shareholder (the surplus).

A sharp fall in **equity prices** constitutes a threat to Delta Lloyd Group's solvency position. Falling prices mainly affect the life business and their effect is aggravated by the impact on the value of the unit-linked business with guaranteed returns at maturity. Additional provisions may be required to cover the difference between the guaranteed value and the lower investment value.

Alongside equity interests, Delta Lloyd Group also invests in other securities, such as property. The property portfolio (approximately 3% of the overall exposure) consists largely of direct property in the Netherlands, of which only a limited part is financed with loans. The fact that this portfolio is not made up of listed property stocks offers some inherent protection against market risk. However, the portfolio is exposed to indirect risk through interest rate movements. Generally, rising interest rates adversely affect property prices. However, rental income from the portfolio offers long-term inflation protection, which is important for the life business of Delta Lloyd Group. Purchases and sales exclusively take place via a tender process and the value is objectively determined on the basis of external appraisals.

The market risks of equities and property are monitored with the aid of tools including the ICA model (see above). Given the risk tolerance, the model provides insight into the maximum exposures to equities and property, as well as the impact on the net asset value and solvency during extreme stress scenarios. The equity market climate in 2008 can be regarded as a stress scenario that became a reality. The existing derivatives programme for market risk offered substantial protection in 2008.

In general, Delta Lloyd Group's equities portfolio is broadly diversified, but also includes some strategic positions that are discussed each month in the Group Risk Committee.

Top ten investments in equities and property:

1. Van Lanschot Bankiers	549.2 million
2. Royal Dutch Shell	174.1 million
3. Boskalis	85.4 million
4. Smit International	82.2 million
5. SNS Reaal	80.1 million
6. KPN	72.6 million
7. Bam Groep NV	61.3 million
8. Imtech	55.4 million
9. TotalFinaElf SA	45.7 million
10. Telegraaf	42.4 million

Interest rate movements are a second major source of market risk. Due to the nature of its business, and particularly its life business, interest rate risk is a significant issue for Delta Lloyd Group. In the past year, interest rate curve movements were not only large, but also differed in the various segments. The substantial interest rate sensitivity of obligations in the long-term segment is partly covered by the fixed income securities in the investment portfolio. An additional swap portfolio limits the interest rate risk at Group level as far as possible, subject to a maximum of 2.5% of the realistic net asset value.

Regarding the invested assets, the Group was confronted with the impact of the sharply rising credit spreads on the valuation of corporate bonds. Credit spreads create an additional mismatch risk on the balance sheet, because the obligations are discounted with an interest rate structure in which the credit risk is not reflected.

Within Delta Lloyd Group, the interest rate risk is monitored and analysed on the basis of various scenarios. If the interest rate risk occurs outside set bandwidths, proposals are made to eliminate this risk. Derivatives, including swaps and swaptions, are used to manage the interest rate risk.

Foreign exchange rates constitute a third source of market risk. Delta Lloyd Group operates exclusively in the euro area and thus runs only a limited exchange risk. However, it naturally engages in global investments as part of its investment strategy.

Derivatives are primarily used for efficient investment management and risk management purposes and for structuring certain insurance products. Derivatives positions are covered either by cash or by corresponding assets and liabilities. OTC contracts are only concluded with approved counterparties and in compliance with the Group's credit risk policy.

B. Debtor risk

Debtor risk involves the risk that counterparties will be unable to meet some or all of their payment obligations.

In the year under review, the crisis in the US subprime mortgage market caused a global confidence crisis and a further widening of credit spreads of fixed-income instruments, notably corporate bonds issued by financial institutions. In this environment, active management of the debtor risk was crucially important.

Delta Lloyd Group maintains a diversified fixed-income investment portfolio that is matched with the insurance liabilities. The credit risk for Delta Lloyd Group is primarily related to corporate bonds and mortgages. Within Delta Lloyd Group, limits have been set for the maximum exposure to counterparties. Their creditworthiness is monitored and the investment mandates contain specifications for permitted debtor categories for corporate bonds. Excluding government bonds, the biggest aggregated exposure to a counterparty represented about 2.5% of the total investments of the Group.

Reinsurers, debtors and insurance intermediaries form another source of debtor risk. Delta Lloyd Group is confronted with concentration of risk at individual re-insurers. This has to do with the character of the reinsurance market and the limited number of players with a high credit quality. The concentration risk in the reinsurance sector is controlled by setting limits per reinsurer. In the event of a catastrophe, the counterparty risk on any single reinsurer will, in our estimation, not exceed 2% of the equity of Delta Lloyd Group.

C. Liquidity risk

Risk in relation to liquidity occurs when an organisation maintains insufficient short-term assets to meet its short-term obligations. In addition, the Bank runs the risk that the assets cannot be financed, or cannot be financed at a reasonable price.

Delta Lloyd Group has a strong liquidity position and maintains sufficient funds to meets its obligations on their due dates. In addition, the Group has access to credit facilities at reputable banking institutions with high creditworthiness.

D. Insurance risk

Insurance risks arise from the possibility that insurance premiums and/or provisions will not be sufficient to meet future payment obligations. This is the case if the actuarial assumptions are less favourable than expected.

Life insurance

The life insurance products involve exposure to longevity and mortality risks.

The premiums fixed in the past for life insurance are based partly on life expectancy at the time the insurance was accepted. People can now expect to live much longer than when these premiums were calculated. While that is good news for the customer, it is a financial disadvantage for the insurer, which must make substantially higher provisions for insurance liabilities without receiving any premium in return. An extra provision had already been put aside for longevity risk in past years. During the year under review, a further € 64 million was added, bringing the total amount to € 464 million.

Mortality risk also plays a role in the life business of Delta Lloyd. Sensitivity tests show that if actual mortality exceeds assumed mortality by 5%, equity will decline by € 4 million. This does not allow for any management actions. Reinsurance helps to control the mortality risk.

For an insurance company like Delta Lloyd Group, termination risk is an important variable. Customer behaviour regarding the termination or (tacit) renewal of insurance policies is influenced by consumer expectations and developments in the financial markets. The stress tests performed using the ICA model take this into account.

General insurance

Our general insurance business faces risks regarding the frequency and size of claims, unexpected claims, inaccurate pricing of the general insurance risks and inadequate reinsurance protection. The ICA method assesses the risks and calculates the capital that needs to be maintained in respect of these risks.

The catastrophe risk is of major importance to the general insurance business. This risk is largely reinsured. Delta Lloyd operates its own Reinsurance Service Centre, which devises customised reinsurance programmes for the various business units. The probable maximum loss (PML) as a result of a catastrophe was € 400 million, assuming one occurrence every 200 years. The catastrophe programme that was purchased for Delta Lloyd Group for 2009 provides for cover of € 400 million, over and above Delta Lloyd Group's retention limit of € 30 million.

As an insurance company, Delta Lloyd Group is confronted with the premium rating cycle. Good market results generate premium pressure, which depresses the result, so that premiums are then raised again, etc. Product teams and specific general insurance knowledge centres within Delta Lloyd are responsible for managing this risk and for the correct timing of premium pricing.

4.6.2.3 Operational risks

A. Outsourcing

Companies increasingly request that their suppliers provide them with an independent opinion (statement) on the effectiveness of the supplier's internal controls. This statement must be certified by an external auditor. Delta Lloyd Group asks its business partners to provide an SAS 70 type II statement. This is a standard element in the Group's contracts with suppliers. Delta Lloyd Group also negotiates the right to perform audits at its business partners, or to arrange for such audits to be performed. An SAS 70 type II statement has been received for all major outsourcings.

B. IT and infrastructure

The Group regards a tighter grip on its IT systems as a strategic necessity. The reinforcement of the central IT organisation and strategic Information Management, the effectiveness of the general IT controls, the reduction of costs through e.g. the rationalisation of legacy systems and the many necessary adjustments due to legislative changes and chain integration make IT an increasingly critical success factor.
It was agreed with IBM that the outsourcing contract will be terminated in mid-2009. Delta Lloyd Group will bring part of the activities back in-house in order to obtain a stronger grip as well as to achieve accelerated quality improvement and restructuring. Once the required quality improvements and innovations have been realised, some of the services will again be outsourced. The telecommunications services were transferred to KPN as of 1 January 2009.

C. Business protection

The organisation has worked hard in recent years to put its ICT contingency arrangements in order. A contingency test plan involving all critical business applications was drawn up. The various systems have meanwhile been tested and approved for both the Dutch and the foreign business units. A basic infrastructure has been delivered and is being tested by the divisions.

Regarding information security, more insight was gained in 2008 into the practical elaboration of a number of policy principles in the fields of authorisation management and change management. In 2009, further action will be taken on the issues identified in this connection.

D. Human resources

Recruiting and retaining qualified staff remains problematic. Personal development programmes and retention programmes are being put in place to preserve vital knowledge and expertise for the Group. We are undertaking a special project, including behaviour and knowledge management, aimed at maintaining employee motivation and commitment, particularly of staff involved in reorganisation processes. These efforts have delivered positive results, but the risk remains significant.

E. Fraud and crime

In 2006, the Dutch Association of Insurers *(Verbond van Verzekeraars)* launched a fraud prevention plan for the general insurance business. The goal of the plan, which is known as the Delta Plan, is to double the fraud detection rate. Based on this plan, Delta Lloyd Group is implementing an insurance fraud prevention plan for the 2008-2010 period. Fraud and crime prevention were brought under central control within Delta Lloyd Group in the year under review. Presentations on fraud recognition have substantially raised awareness of fraud. In addition, some major integrity risks within the property processes were assessed, because Delta Lloyd Group's property portfolio includes many direct property investments. The structured approach led to a number of additional prevention measures.

F. Projects and programmes aimed at effectiveness

Delta Lloyd Group has established that sharing in the form of chain integration yields greater advantages than the exclusive sharing of back office activities. For this reason, Delta Lloyd Group is expanding the General Insurance Product Group in Arnhem into an independent Personal General Insurance Business, which is responsible for product development, process handling and reporting for the various labels. A comparable independent unit for Income & Absenteeism will be set up at the general insurance business in Amsterdam.

Delta Lloyd Group recognises the risk of the simultaneous implementation of several major change processes, such as Sharing, IT Insourcing and Profit Improvement Programmes, which require close monitoring and control. A Group Business Change & Development department has been set up to streamline the various programmes and integration processes.

In the current highly competitive marketplace, the operating expenses of Delta Lloyd Group are relatively high. One important instrument to reduce costs is to structure processes as effectively and efficiently as possible. This is consequently receiving full attention in change processes. Delta Lloyd Group has announced several major cost improvement plans for the short term, including a vacancy freeze, a drastic reduction in the number of external staff and non-payment of performance-related bonuses for 2008 to management, the Division Boards and the Executive Board.

4.6.2.4 Legal and regulatory risks

Integrity is an important core value for Delta Lloyd Group. Compliance with laws and regulations is seen as a natural part of integrity.

In the year under review, a compliance measurement was completed. Eight compliance themes were assessed for risks and existing controls. The eight themes were internal values and awareness, market forces, alliance partners, personal data protection, consumer protection, product development and management, 'know your customer' and incident reporting.

Our compliance with the more stringent duty-of-care requirements laid down in the Financial Supervision Act *(Wet op het financieel toezicht / Wft)* was assessed in relation to the consumer protection and product development themes. As an intermediary insurer, it is important for Delta Lloyd Group to ensure that insurance intermediaries also comply with these requirements. This aspect was addressed in the alliance partners and incident reporting themes.

The Act on the Prevention of Money Laundering and the Financing of Terrorism *(Wet ter voorkoming* *van witwassen en financiering terrorisme)*, which took effect in mid-2008, links up with the 'know your customer' theme. The findings of the compliance measurement show that this theme receives sufficient attention.

The compliance officers of all business units supervise the implementation of, and compliance with the regulations.

4.6.2.5 Financial reporting risks

Delta Lloyd Group implements SOx. In the year under review, the most important controls relating to financial reporting were identified. An ICT application for the structured recording of all controls and the outcomes of test programmes was installed. The test phase, during which the proper operation of all controls will be assessed, is expected to be completed in mid-2009. One important area of attention for the project is the impact of strategic changes at Delta Lloyd Group on internal control of the financial reporting processes.

4.7 In-control statement

The Executive Board is responsible for designing and maintaining an adequate system for internal control of financial reporting. Financial reporting is the product of a structured process carried out by the various divisions under the direction and supervision of the financial management of Delta Lloyd Group.

Delta Lloyd Group's control framework is based on the principles of Enterprise Risk Management. This reference model has been implemented centrally and is applied in the different organisational entities. A general risk analysis is carried out each quarter. The resulting report is discussed by the Executive Board with the Supervisory Board and the Audit Committee.

At the end of the year, the board of each business unit states with reasonable assurance that it has no indication that the risk management and control systems have not functioned adequately and effectively and have not led to the identification and control of all material risks. The boards include important changes in the internal and external environment in their assessments, as well as the periodic risk assessments from the risk management cycle.

In the field of financial reporting, the business units assessed the set-up of the risk management and control systems in 2008 and classified the outcomes by priority. On the basis of this, the conclusion was reached that there are no design defects leading to a high risk.

This structure and the related statements provide a reasonable assurance regarding the detection and control of material risks to which the Group is exposed in the field of financial reporting. We therefore have no indications to suggest that the present risk management and control systems for financial reporting risks did not function properly or led to material errors in the financial reporting.

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

4.8 Reporting

Delta Lloyd Group subscribes to the vital importance of uniform methods for calculating results and capital. This enhances the comparability and transparency of corporate performance.
The Group applies the International Financial Reporting Standards (IFRS). These standards for drawing up financial statements, which are compulsory for listed companies, will ultimately enhance the transparency of reporting.
One characteristic of IFRS is that this method shows the actual financial effects of the activities in the year under review. However, the development of the Group's value over the long term is less clear. This report consequently also includes the Market Consistent Embedded Value of the organisation, which is an essential indicator of long-term performance.

4.8.1 IFRS

Delta Lloyd Group applies the standard IFRS 'available for sale' method for measuring the value of equity investments. With this method, unrealised results are recognised in equity and realised results and impairments of equities are taken direct to 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 provisions for insurance liabilities at amortised cost. Delta Lloyd Group therefore opted, effective from financial 2005 and ahead of the 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.

4.8.2 Reporting in 2008

The annual report for 2008 is Delta Lloyd Group's fourth report based on the 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 virtually all of its nominal life insurance liabilities at market

interest rates rather than nominal 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 is that Delta Lloyd Group has anticipated 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.).

4.8.3 Market Consistent Embedded Value

From 2004, the European Embedded Value (EEV) is included in the external reporting of Delta Lloyd Group. The embedded value provides a good insight into the value development of the life insurance business, the principal activity of Delta Lloyd Group. Starting from the full-year report for 2008, reporting takes place according to Market Consistent Embedded Value (MCEV) principles.

The transition to market-consistent valuation is a refinement of the approach to take account of risks inherent in insurance business. The use of market-consistent economic assumptions leads to a consistent valuation of assets and liabilities. The MCEV valuation also takes better account of the differences in the economic risk profiles of the various portfolios than the previous approach, which assumed a single discount rate. Moreover, alongside the market-consistent valuation of economic risks, an explicit premium is taken into consideration for non-financial risks, such as insurance and operational risks.

An analysis of the results is prepared for the two most important insurance activities:

1. operational and economic management of existing insurance portfolios;
2. profitability of new life business in a given year.

The MCEV accounting principles have been developed by CFO Forum, in which major European insurers, including Aviva, are represented, and are aimed at enhancing the consistency, transparency and comparability of embedded value reports of European insurers. The application of MCEV principles in the reports should enable shareholders, analysts and regulators to make a more accurate assessment of developments within insurance groups. MCEV improves the comparability of the embedded values by reducing differences between the assumptions of companies. Amongst other things, this concerns investment returns and future economic developments.

The MCEV consists of the market value of shareholders' equity (Net Worth) and of the present value of expected future cash flows on life policies already in force (Value in Force). The value of the insurance portfolio is determined by computing the present value of the future results to be generated by the portfolio. This involves a detailed estimation of both the expected (future) results from the insurance and investment portfolios and the operating and economic circumstances under which these results are achieved. Amongst other things, assumptions are made for specific investment returns from e.g. bonds, equities and property, but also for specific economic factors such as interest rates and inflation. These assumptions are made on the basis of observable market prices for (comparable) financial instruments. Sensitivity analyses provide insight into the impact of fluctuations in the economic and operational environment.

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

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

Covered business

The MCEV calculations cover the following lines of business:

- life insurance;
- bonds and savings;
- investment management under insurance contracts;
- 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 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 premiums include 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.

4.8.3.1 Methodology

Overview

Under the MCEV 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 market value of the net worth of the life and related businesses; and
- the value of in-force covered business, net of tax. Calculations are performed separately for each business, based on the cash flows of that business.

Time value of options and guarantees (TVOG)

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).

4.8.3.2 Components of MCEV return

The MCEV return comprises the following components:

- new business contribution (NBC) written during the period, including value added between the point of sale and end of the period;
- result from in-force covered 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 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; and
- 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 the year.

The MCEV 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.

MCEV operating return

MCEV operating return

In millions of euros	VIF (incl. CoC)	TVOG	Shareholders funds	Total
New business contribution	188.6	-18.7	-189.9	-19.9
Expected return for the period	11.3	22.3	343.5	377.1
Experience variances	2.5	14.9	-24.0	-6.6
Impact of operating assumption changes	-176.7	-39.1	-53.3	-269.1
Other operating changes	-2.4	88.3	32.8	118.7
MCEV operating return	**23.4**	**67.8**	**109.1**	**200.2**

New business contribution

The following tables set out the premium volumes and the contribution from new business written by the life operations, 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.

NBC is calculated using economic assumptions as at the start of the relevant quarter (sometimes month) and operating (demographic) assumptions as at the end of the period, and is rolled forward to the end of the financial period.

New business sales are expressed on two bases: the 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.

New Business Contribution

In millions of euros	NBC post CoC	APE	PVNBP	Margin %
Individual pensions	-0.5	22.7	199.6	-0,26%
Group pensions	-35.2	336.5	3,269.2	-1,08%
Annuities	-7.3	51.4	513.9	-1,42%
Bonds and savings	3.8	86.7	785.3	0,49%
Other	19.2	38.4	352.9	5,44%
Total	**-19.9**	**535.6**	**5,120.9**	**-0,39%**

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 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. In 2008, the opening embedded value was revised on account of the transition from European Embedded Value to Market Consistent Embedded Value (MCEV). 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.

Analysis of movement

In millions of euros	VIF (incl. CoC)	TVOG	Shareholders funds	Total
Opening Embedded Value	1,784.2	-177.3	4,102.8	5,709.7
Resstatement to MCEV	-276.8	-146.2	11.7	-411.3
Opening Embedded Value (restated)	**1,507.4**	**-323.5**	**4,114.5**	**5,298.4**
MCEV operating return	23.4	67.8	109.1	200.2
Exceptional items outside operating return	-189.1	0.0	-117.7	-306.7
Changes on capital markets	398.3	-76.1	-2,239.2	-1,917.0
Dividend to Delta Lloyd Group	0.0	0.0	-434.1	-434.1
Capital contributions	0.0	0.0	604.9	604.9
Acquisitions and disposals	-67.7	-22.9	52.4	-38.2
Closing embedded value	**1,672.4**	**-354.7**	**2,089.8**	**3,407.5**

4.8.3.3 Assumptions

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. 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, but is derived from the internally required economic capital. 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:

Economic assumptions

	2008	2007
Risk discount rate	tabel	tabel
Risk-free interest rate	tabel	tabel
Risk premium on equities	3,50%	3,50%
Risk premium on real estate	2,00%	2,00%
Equities volatility	26%	26%
Interest volatility	15%	13%
Future expense inflation	2,50%	2,50%
Tax rate Netherlands	25,50%	25,50%
Cost of capital	3%	3%

Yield curve (zero coupon)

	2008	2007
1	3,51%	4,70%
2	3,23%	4,53%
3	3,65%	4,51%
5	4,01%	4,55%
7	4,36%	4,61%
10	4,76%	4,74%
15	4,99%	4,90%
25	4,66%	4,96%
50	3,98%	4,63%

Principal economic assumptions - stochastic calculations

This section describes the models used to generate future investment simulations, including 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 variable durations and credits. At several business units, equities are another important asset class.

Tax

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 MCEV calculations and split between expenses relating to the acquisition of new business, expenses associated with the maintenance of business in-force and project-related 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 MCEV calculations, the value of profits or losses arising from these services have been included in the embedded value and NBC.

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.

5 Financial statements

Delta Lloyd NV is a public limited liability company *('naamloze vennootschap')* incorporated and domiciled in the Netherlands. Together with its subsidiaries, Delta Lloyd NV transacts life and pension insurance, long-term savings business, most classes of general insurance and health business, banking and fund management. The financial statements incorporate the consolidated financial statements, the company financial statements and other information. These financial statements have been authorised for issue by the Executive Board, following their approval by the Supervisory Board on 24 February 2009.

5.1 Consolidated financial statements

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 and pension insurance 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 and Germany.The reporting segments used within Delta Lloyd Group are based on the above activities. These segments are life insurance, general insurance, health insurance, banking, fund management and other activities. 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, Funds NutsOhra 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 24 February 2009. The General Meeting of Shareholders is to adopt these financial statements at the Annual Meeting on 14 May 2009.

5.1.1 Accounting policies

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

Change in accounting policy

Delta Lloyd Group has entered into a pension agreement for its staff, most of whom are in a defined-benefit pension plan. The principal pension agreement is with Delta Lloyd Pension Fund, which has a reinsurance contract with a life insurance company in the Delta Lloyd Group. Consequently, the investments do not qualify as plan assets.
In 2007, Delta Lloyd Group implemented a change in accounting policy, which ensured that the result better reflected the economic matching between the pension obligations and plan assets. Delta Lloyd Group assessed this change in accounting policy during 2008 and concluded that the economic matching was not ensured in every case. Partly in view of developments at the IASB in respect of pensions, the corridor method will likely be abandoned within a few years so that all actuarial gains and losses will be reflected directly in the result. Consequently, Delta Lloyd Group has

decided to tighten the policies on pensions. This means that all actuarial gains and losses are recognised directly in the result as amortisation. The effect of this change in accounting policy in 2007 was a reduction of € 29.9 million in shareholders' equity. This includes an increase of € 7.9 million in the result before tax. The change in accounting policy had no effect on equity or result in 2008.

Impact of changes in accounting policies in 2007

In millions of euros	2007 before changes in accounting policies	Pension obligations	2007 after changes in accounting policies
Balance sheet			
Pension obligations	1,459.8	40.2	1,499.9
Deferred tax liabilities	237.7	-10.3	227.4
Total capital and reserves	4,865.9	-29.9	4,836.0
Income statement			
Other operating expenses	-815.0	7.9	-807.1
Tax expense	-27.0	-2.1	-29.1
Net result	781.4	5.9	787.3

Impact of changes in accounting policies in 2008

In millions of euros	2008 before changes in accounting polices	Pension obligations	2008 after changes in accounting policies
Balance sheet			
Pension obligations	1,531.8	40.2	1,572.0
Deferred tax liabilities	189.9	-10.3	179.6
Total capital and reserves	3,048.2	-29.9	3,018.3
Income statement			
Other operating expenses	-1,028.6	-	-1,028.6
Tax expense	32.1	-	32.1
Net result	-153.2	-	-153.2

The cumulative impact of changes in accounting policies on equity for the years prior to 2007 was minus €35.8 million.

5.1.1.1 (A) Basis of presentation

Delta Lloyd Group prepares its consolidated financial statements using International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.
The European Union endorsed the following revised standards during 2008: IAS 1, *Presentation of Financial Statements*, IAS 23, *Borrowing Costs*, and IFRS 2, *Group and Treasury Share Transactions.* Delta Lloyd Group decided not to apply these Interpretations early. The early application of these Interpretations would not have affected Delta Lloyd Group's result and equity. Delta Lloyd Group has

also decided not to make use of the option in IAS 39 to reclassify the trading portfolio.
Delta Lloyd Group applied the following Interpretations for the first time in 2008: IFRIC 11, *IFRS 2 – Group Share Transactions*, and IFRIC 14, *IAS 19 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction*. Application of these interpretations did not affect 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. Expenses are accounted for in the expense category to which they relate. Insofar as related to the acquisition of new business, expenses are classified as expenses relating to the acquisition of insurance and investment contracts. Further information on the recognition of acquisition costs is included in accounting policy J. Financial assets and liabilities that are of a current nature (i.e. recoverable/payable within one year) are also recognised at fair value. The difference between cost and fair value is insignificant. Derivative financial instruments, which are measured at fair value irrespective of their term, are an exception.
Items included in the financial statements of each of Delta Lloyd Group's entities are measured in the currency of the primary economic environment in which that entity operates (‘the functional currency’). The consolidated financial statements are stated in euros, which is Delta Lloyd Group's 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.
As the income statement of Delta Lloyd NV for 2008 is incorporated in the consolidated financial statements, the condensed company income statement is presented in the company financial statements, in compliance with section 2:402 of the Netherlands Civil Code.
The consolidated cash flow statement is prepared in accordance with the indirect method. A distinction is made between cash flows from operating, investing and financing activities. Cash flows arising from dividends, investment income and the purchase and sale of investments are classified as operating activities since they relate to the core activities of Delta Lloyd Group.

5.1.1.2 (B) Use of assumptions and estimates

The preparation of financial statements 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.

5.1.1.3 (C) Consolidation principles

Subsidiaries

Subsidiaries are those entities (including Special Purpose Entities) in which Delta Lloyd Group has power to exercise control over financial and operating policies in order to gain economic benefits. Subsidiaries are consolidated from the date on which effective control is transferred to Delta Lloyd Group and are excluded from consolidation from the date effective control is lost. To 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 using the purchase method. The acquisition price is determined as the sum of the fair value of assets given up, equity instruments issued and any acquisition-related liabilities and direct costs. Separately identifiable assets, liabilities and contingent liabilities acquired, as well as net assets, are measured at fair value on the acquisition date. The difference between the acquisition price of a subsidiary and the share in net assets that is attributable to Delta Lloyd Group's equity interest is recognised as goodwill in the financial statements. If the acquisition price is lower than the fair value of the equity interest, the surplus is taken to the income statement.

Investment funds in which Delta Lloyd Group has power to exercise control, either directly or indirectly, are consolidated. As Delta Lloyd Group is obliged to acquire minority interests in such funds in the event that these are offered, they are classified as liabilities and appear as ‘financial liabilities' in the consolidated balance sheet (see note 31). These liabilities are recognised at fair value through profit or loss. For further details refer to 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 calculated on acquisition net of impairment charges since the acquisition date. Under this method, the cost of the investment in the associate, together with Delta Lloyd Group's share of that associate's post-acquisition changes to equity, is included as an asset in the consolidated balance sheet. Where necessary, the accounting policies adopted by the associates

were changed to ensure they are consistent with the policies adopted by Delta Lloyd Group. Delta Lloyd Group's share of their post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in 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.

5.1.1.4 (D) Foreign currency translation

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. This takes place at exchange rates prevailing when the fair value is determined.

5.1.1.5 (E) Product classification

Insurance contracts are defined as those 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. These contracts are treated in accordance with IAS39. 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.

5.1.1.6 (F) Income and expenses relating to insurance contracts

Premiums

Premiums on life insurance contracts and participating investment contracts are recognised as income when receivable. For single-premium business, this is the date from which the policy is effective. For regular-premium contracts and additional contributions, receivables are 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 expenses that are directly attributable to the internal costs function.

5.1.1.7 (G) Income and expenses relating to investment contracts

Income

Investment contract policyholders are charged fees for policy administration, investment management, surrenders or other contract services. These fees are recognised as revenue in the period in which they arise unless they relate to services to be provided in future periods. 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.

Expenses

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

5.1.1.8 (H) Fee and commission income and expenses

Fee and commission income consists primarily of investment fund management fees, distribution fees from investment funds, commission revenue from the sale of investment fund shares, and intermediary fees. These fees are recognised 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).

5.1.1.9 (I) Net investment income

Investment income consists of dividends, interest and rental income receivable for the year, fair value changes in investments through profit or loss (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 interest rate of the investment. It includes interest income as a result of interest rate differentials on forward foreign exchange contracts. Rental income is recognised on the basis of the 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 but shown separately in the income statement.
Income from securities lending is recognised and settled with the relevant counterparty on a quarterly basis. Income and expenses under repurchase agreements are included in the contractual transaction amount when the contract expires.

5.1.1.10 (J) Acquisition costs

Acquisition costs are fixed and variable costs arising from writing insurance contracts including direct costs and indirect costs.
Commission expenses and other acquisition costs for insurance contracts and discretionary participating investment contracts represent the acquisition commission costs and other acquisition costs incurred during the period for these contracts, less the amounts capitalised during the financial year, plus amortisation.
Transaction costs for non-participating investment contracts and non-discretionary participating investment contracts only include costs that are taken to the income statement during the term of these contracts. Transaction costs are incremental costs that are directly attributable to the acquisition of a financial asset or financial liability, and include fees, for example for commissions paid to advisers and brokers.
Acquisition costs relating to life insurance contracts and investment contracts are amortised over a period of eight to ten years, while those relating to general insurance contracts are amortised during the period that premiums are earned.

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

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.

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

In the Belgian market all profit-sharing products have discretionary participation features. 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 93% of the excess interest-earnings and technical results is added to a provision for future allocation to policyholders. This percentage is based on management's assessment of the expected profit distribution, and includes the expected tax amounts. The allocation of this provision is at the discretion of the board of Delta Lloyd Germany.

Unallocated divisible surplus

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.

5.1.1.12 (L) Insurance and DPF investment contract provisions

Change in accounting estimates

Since 2005, Delta Lloyd has used market interest rates to measure the insurance liabilities for many of its products. To date, the DNB swap curve was applied for this purpose. In view of the exceptional developments in the financial markets in the past year, the DNB swap curve is no longer representative of the market rate. Consequently, Delta Lloyd has decided to define the discount curve for its insurance liabilities from 1 January 2008 as the maximum of the DNB swap curve and a yield curve derived from collateralised AAA euro zone bonds. This curve is known as the 'DLG curve'. The Executive Board believes that the DLG curve is a good representation of the market interest rate.

Notes

The market interest rate is derived from financial instruments with characteristics that are as closely in line with the insurance liabilities as possible. The instruments chosen for this are almost free of credit risk and their liquidity matches that of the insurance liabilities.

Until 2008, various instruments or combinations of them, led to almost the same market interest rate:

- Cash plus swaps
-

- Government bonds
- Corporate bonds plus credit default swaps

The illiquidity premium was negligible for most financial instruments until 2008 but has risen strongly in the current market. The yield based on swaps is much higher than the yields based on other risk-free instruments.

Insurance liabilities are relatively illiquid and form long-term financing with predictable development. In view of their illiquid nature, the higher illiquidity premium has to be reflected in the market interest rate used to measure the liabilities.

Collateralised corporate AAA bonds are less liquid than swaps but are also almost free of credit risk. In outline, the structure is a secured loan, also comparable with the collateral on insurance liabilities. Therefore the Executive Board regards these instruments as the most suitable approach to establish the market interest rate and value insurance liabilities.

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 and Belgium. This is the first adjustment towards the fair value measurement of the insurance liabilities in IFRS 4 Phase II.
Life insurance business provisions are calculated separately for each life operation, based on local accounting standard and general actuarial principles. The provisions are calculated on the basis of assumptions, and generally include a margin for prudence. The assumptions used in the calculations depend on the specific situation of the entities. This also applies to the estimated margin for error (if any). 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.

Liability adequacy test

IFRS 4 requires an adequacy test for life insurance business provisions to be incorporated at each reporting date, so that losses do not remain unrecognised; Delta Lloyd Group's existing accounting policies meet the following requirements:

- 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. This "best estimate" provision is then increased by a risk margin for unhedgeable insurance risks; and
- 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 component. Examples of portfolio components are ‘group’ and ‘individual’ which are then broken down into ‘traditional’ and ‘unit-linked’.

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 asbestos and environmental 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 DLG 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. 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, each business unit's margin for prudence must ensure that the adequacy level of the general insurance business provisions (excluding disability contracts) is within a set range. To this end, the provision is set over the course of the year at a level aiming for 92.5% confidence. If the liability adequacy test shows that confidence is higher than 85% or lower than 99%, no addition or release is made.

The provisioning policy allows the business units to reflect future requirements, such as IFRS and Solvency II, aiming for a best estimate provision plus a risk premium.

(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) 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).
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 note 28 'Pension obligations and other provisions' in the balance sheet.

5.1.1.13 (M) Non-participating investment contracts

Liabilities for non-participating investment contracts, including non-DPF 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 of the 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.

5.1.1.14 (N) Reinsurance

Delta Lloyd Group assumes and cedes reinsurance in the normal course of business, with retention limits varying by type of insurance contract. Reinsurance assets assumed are recognised in the same way as direct business, 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, an 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.

5.1.1.15 (O) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Delta Lloyd Group's share of net assets, including the (contingent) liabilities, of the acquired subsidiary at the date of acquisition. The carrying amount of goodwill for each cash generating unit, or combination of cash generating units, is reviewed annually, or more often when circumstances or events point to possible impairment. Goodwill is written down for impairment where the recoverable amount is insufficient to support its carrying value. Further details on impairment testing and goodwill allocation and impairment testing are given in accounting policy R and 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 are included. The latter, however, only qualifies for recognition if it is identifiable, if Delta Lloyd Group has power to exercise control over such software and if such software will generate positive future cash flows. Purchased and proprietary software 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 Insurance 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 Insurance the access to the ABN AMRO distribution channel was separately identified as an intangible asset which is amortised over 30 years. This represents the duration of the agreement with ABN AMRO Bank. Access to the distribution channels recognised on the acquisition of Erasmus Verzekeringen and Eurolloyd is amortised over 20 years.
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.

5.1.1.16 (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 selling 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 the other items of property and equipment to their residual values over their estimated useful lives as follows:

Land	No depreciation
Properties (own use)	40 years
Properties under construction	No depreciation
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 will flow to Delta Lloyd Group. Major renovations are depreciated over the remaining useful life of the related asset.

5.1.1.17 (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.

5.1.1.18 (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.

Goodwill

The carrying amount of goodwill for each cash generating unit, or combination of cash generating units, is reviewed annually, or more often when circumstances or events point to possible impairment. Goodwill is written down for impairment where the recoverable amount is insufficient to support its carrying value.
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.
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. This method applies also to the value of the distribution channel. Cash flows have been discounted over the remaining life of the contract with ABN AMRO Bank (25 years).
Expected cash flows for future periods have been obtained from the plan figures for the 2009 - 2011 period. Expected cash flows for later periods have been extrapolated, taking into account the growth rate.
Key assumptions used for the calculation are:

- Growth rate represents the rate applied to extrapolate new business contributions beyond the business plan period, and is based on management's best estimate of future growth. The rate is in line with industry expectations and varies between -10.0% and 2.0%.
- 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

varies between 6.7% and 7.53% (2007: 6.7%).
- The applied risk premium is between 1.5% and 4.0%, depending on the risk level of the activities involved.

Other non-financial assets

As regards other non-financial assets, 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.

5.1.1.19 (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.

5.1.1.20 (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 can 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 category ‘at fair value through profit or loss’ has two sub-categories – those that meet the definition as being held for trading and those Delta Lloyd Group chooses to designate as FV 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. 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.
If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related to an event occurring after the impairment was recognised, the previously recognised impairment is reversed and added to the income statement.

(b) Financial assets carried at fair value

Delta Lloyd Group assesses at each reporting date whether objective evidence exists that an AFS financial asset is impaired. In the case of equity instruments classified as AFS this means a significant or prolonged decline in the fair value of the security below its cost. Significant is defined as:

- at least 20% over an uninterrupted period of six months; or
- more than 40% on the reporting date.

If the impairment proves to be structural, Delta Lloyd Group may decide to recognise impairment despite the period being less than six months.

The following rules for impairment apply to debt securities available for sale. Government bonds are only written down if it is certain that they will not be redeemed. This also applies to corporate bonds, but they are also written down if it is known that the issuer is in financial difficulties.
If such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value (excluding previously recognised impairment losses) is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be 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.

5.1.1.21 (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.

Fair value hedge accounting

Delta Lloyd Group uses derivatives to partially hedge the market value risk of certain financial assets due to interest rate movements. Fair value hedge accounting can be used for these derivatives in accordance with IAS 39, provided these derivatives have been designated for this and the following conditions have been met.

Before hedge accounting can be used, Delta Lloyd Group documents the hedging objective and strategy, the relationship between the hedged position and the derivative used as the hedging instrument, and the method used to assess the effectiveness of the hedge relationship. Before hedge accounting is applied, it has been established that the hedge is likely to be highly effective. During the hedging period, the effectiveness is tested and documented for each reporting period. A hedge is considered to be effective if the change in the fair value of the hedged position is offset almost fully by a change in the fair value of the hedging instrument. A bandwidth of 80 - 125% applies for this.

Changes in the fair value of derivatives designated as 'fair value hedges' which meet the set conditions are recognised in the income statement under Result from derivatives. Changes in the fair value of the hedged assets are disclosed under the same heading, to the extent that those changes relate to the hedged risk. The net effect of this is that only the ineffective part of the hedge influences the result.

An adjustment in the carrying value of a hedged financial instrument is amortised and credited or charged to the income statement under Result from derivatives from the moment at which the carrying value was first adjusted and during the anticipated remaining life of the hedged instrument.

Derivatives not included in a hedge relationship

Changes in the value of derivatives that are not included in a hedge relationship are taken direct to income statement and presented separately in Result from derivatives.

5.1.1.22 (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.

5.1.1.23 (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.

5.1.1.24 (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.

5.1.1.25 (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 Levensverzekering 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 in the income statement under 'other operating income', even though they were initially recognised as loans and receivables under IAS 39. The total of the financial assets and financial liabilities relating to securitised mortgages is managed on the basis of fair value, and their performance is also evaluated on the basis of fair value. This means that the Fair Value Option under IAS 39 is applied. These notes are restated to fair value through profit or loss at each period end, using the 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.

5.1.1.26 (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.

5.1.1.27 (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.

5.1.1.28 (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.

5.1.1.29 (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 separated investment 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. Additionally, the interest cost and the expected return on plan assets are included in the pension cost. The pension obligation is measured as the present value of the estimated future outflows using a discount rate based on market yields for high-quality corporate bonds. Plan assets at fair value are deducted from pension obligations. The resulting pension plan

surplus or deficit appears as an asset or 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 for the principal pension plan in the Netherlands to recognise actuarial gains and losses directly in the income statement.
For defined contribution plans, Delta Lloyd Group pays contributions to collectively or individually administered pension plans. Once the contributions have been paid, Delta Lloyd Group, as employer, has no further payment obligations. Delta Lloyd Group's contributions are charged to the income statement.
In the Netherlands the Delta Lloyd pension fund has reinsured its pension obligations with Delta Lloyd Levensverzekering, a subsidiary, and as a result the related investments do not qualify as plan assets. To avoid 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.

Share-based and performance-related compensation plans

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, the value of which is determined on the basis of the development of the embedded value of Delta Lloyd Group relative to a predefined peer group.
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.

5.1.1.30 (AD) Income taxes

The tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years and changes in deferred tax assets and liabilities. 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.

5.1.1.31 (AE) Discontinued operations and assets held for sale

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

5.1.2 Consolidated income statement

Consolidated income statement for the year ending 31 December

In millions of euros	2008	2007
Income		
Gross written premiums (F, 5)	5,911.2	5,304.5
Outward reinsurance premiums	-119.6	-188.6
Net written premiums	**5,791.6**	**5,115.9**
Change in unearned premiums provision	-24.9	6.2
Net premiums earned (F, 4, 5)	**5,766.7**	**5,122.2**
Investment income	489.3	1,870.1
Share of profit or loss after tax of associates (C, 5)	-27.8	-3.2
Investment income (I, 5)	**461.5**	**1,866.9**
Fee and commission income (G, H, 5)	366.2	342.5
Result on disposal of subsidiaries	13.1	-
Other operating income (Y, 5)	501.1	132.6
Total investment and other income (4, 5)	**1,342.0**	**2,342.0**
Total income (4, 5)	**7,108.6**	**7,464.2**
Expenses		
Net claims and benefits paid	3,557.3	3,983.4
Change in insurance liabilities (including liabilities for participating investment contracts)	1,013.4	296.1
Profit sharing and discounts	84.4	133.1
Expenses relating to the acquisition of insurance and investment contracts	714.7	615.7
Expenses relating to the acquisition of other contracts	41.2	50.8
Finance costs	873.5	757.2
Other operating expenses	1,028.6	807.1
Total expenses	**7,313.0**	**6,643.4**
Result before tax from continuing operations (4, 5)	**-204.3**	**820.8**
Current tax (AD, 9)	-32.1	29.1
Result after tax from discontinued operations (AE, 3)	19.0	-4.4
Net result	**-153.2**	**787.3**
Attributable to:		
Majority interests	-160.8	744.9
Minority interests	7.6	42.4
Net result	**-153.2**	**787.3**

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

5.1.3 Consolidated balance sheet

Consolidated balance sheet at year end

In millions of euros	2008	2007
Assets		
Goodwill (O, 10)	260.9	205.4
AVIF and other intangible fixed assets (O, 11)	189.1	195.6
Capitalised acquisition costs (W, 19)	232.1	207.9
Property and equipment (P, 12)	262.6	225.2
Investment property (Q, 13)	2,366.5	2,168.1
Associates (C, 14)	193.6	340.3
Deferred tax assets (AD, 27)	24.3	11.7
Debt securities (T, 15)	18,512.1	18,601.3
Equity securities (T, 15)	13,725.4	14,276.6
Derivatives (U, 15, 36)	1,363.9	305.7
Loans at fair value through profit or loss (V, 15)	6,102.6	5,898.3
Other loans and receivables (V, 15, 16)	12,490.2	11,979.8
Reinsurance assets (H, N, 24)	722.0	1,282.4
Plan assets (AC, 29)	31.4	19.8
Inventory of real estate projects (A, 19)	98.8	83.7
Receivables and other financial assets (A, 18)	2,038.3	3,021.0
Current tax assets	54.4	74.1
Capitalised interest and prepayments	585.2	503.7
Cash and cash equivalents (X)	2,551.4	957.9
Assets held for sale (AE, 3)	1,358.2	1,957.5
Total assets	**63,163.0**	**62,316.1**
Capital and reserves		
Share capital (Z, 20)	107.1	107.1
Ordinary share premiums	91.8	91.8
Revaluation reserves (21)	-143.3	1,278.1
Revaluation reserves of assets held for sale (3)	-3.7	5.4
Retained earnings (22)	2,966.4	3,353.6
Total capital and reserves	**3,018.3**	**4,836.0**
Minority interests	267.5	237.4
Shareholders funds	**3,285.8**	**5,073.4**
Liabilities		
Insurance liabilities (L, 23)	33,811.5	31,292.1
Liabilities for investment contracts (K, L, M, 25)	3,326.7	2,209.7
Pension obligations (AC, 28, 29)	1,572.0	1,499.9
Provisions for other liabilities (AB, 28)	134.3	107.7
Deferred tax liabilities (AD, 27)	179.6	227.4
Borrowings (Y, 30)	8,540.2	9,472.2
Derivatives (U, 36)	620.1	86.1
Financial liabilities (C, 31)	7,163.0	6,353.9
Current tax liabilities	-	45.4
Other liabilities (A, 32)	3,304.5	4,191.3
Liabilities relating to assets held for sale (AE, 3)	1,225.3	1,756.9
Total equity and liabilities	**63,163.0**	**62,316.1**

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

5.1.4 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 2007	29.9	77.1	91.8	1,505.4	2,818.4	4,522.7	199.7	4,722.4
Impact of changes in accounting policies	-	-	-	-	-35.8	-35.8	-	-35.8
Restated opening balance 2007	**29.9**	**77.1**	**91.8**	**1,505.4**	**2,782.6**	**4,486.9**	**199.7**	**4,686.6**
Gross fair value gains and losses	-	-	-	239.5	-	239.5	-4.7	234.7
Transfer of available-for-sale equity relating to DPF contracts to provisions	-	-	-	-13.2	-	-13.2	-	-13.2
Realised gains/losses on revaluations of financial instruments available for sale	-	-	-	-519.3	-	-519.3	-	-519.3
Acquisition of interests in subsidiaries/associates	-	-	-	-	-	-	0.1	0.1
Foreign exchange differences	-	-	-	-1.2	-	-1.2	-0.0	-1.2
Disposal of associates		-	-	-0.1	-	-0.1	-0.1	-0.1
Aggregate tax effect	-	-	-	72.3	-	72.3	-	72.3
Net gains and losses not recognised in income statement	**-**	**-**	**-**	**-221.9**	**-**	**-221.9**	**-4.6**	**-226.5**
Result for the year	-	-	-	-	744.9	744.9	42.4	787.3
Total income and expenses	**-**	**-**	**-**	**-221.9**	**744.9**	**523.0**	**37.8**	**560.8**
Dividends	-	-	-	-	-173.9	-173.9	-0.1	-174.0
At 31 December 2007	**29.9**	**77.1**	**91.8**	**1,283.5**	**3,353.6**	**4,836.0**	**237.4**	**5,073.4**
At 1 January 2008	29.9	77.1	91.8	1,283.5	3,353.6	4,836.0	237.4	5,073.4
Gross fair value gains and losses	-	-	-	-2,316.2	-	-2,316.2	22.8	-2,293.4
Transfer of available-for-sale equity relating to DPF contracts to provisions	-	-	-	-8.5	-	-8.5	-	-8.5
Realised gains/losses on revaluations of financial instruments available for sale	-	-	-	769.3	-	769.3	-	769.3
Foreign exchange differences	-	-	-	2.8	-	2.8	0.0	2.8
Disposal of associates	-	-	-	1.1	-	1.1	-0.4	0.7
Aggregate tax effect	-	-	-	121.1	-	121.1	-	121.1
Net gains and losses not recognised in income statement	**-**	**-**	**-**	**-1,430.5**	**-**	**-1,430.5**	**22.4**	**-1,408.1**
Result for the year	-	-	-	-	-160.8	-160.8	7.6	-153.2
Total income and expenses	**-**	**-**	**-**	**-1,430.5**	**-160.8**	**-1,591.3**	**30.0**	**-1,561.2**
Dividends	-	-	-	-	-226.4	-226.4	-	-226.4
At 31 December 2008	**29.9**	**77.1**	**91.8**	**-147.0**	**2,966.4**	**3,018.3**	**267.5**	**3,285.8**

Of the revaluation reserve, € -3.7 million (2007: 5.4 million) relates to operations held for sale. Details are included in note 3.

Net fair value gains and losses relate to unrealised fair value gains and losses on financial assets held for sale. The impact of changes in accounting policies on equity and the result after tax is described in more detail in 5.1.1.
Further details of dividend payments and dividend policy are provided in note 22.
The accounting policies (identified alphabetically) and notes (identified numerically) are an integral part of these accounts.

5.1.5 Consolidated cash flow statement

Cash flow from operating activities

In millions of euros	2008	2007
Net result	-153.2	787.3
Net result from discontinued operations	19.0	-4.4
Net result excluding discontinued operations	**-172.2**	**791.8**
Adjustments for:		
- Tax	-32.1	29.1
- Depreciation	31.9	21.0
- Amortisation	319.7	287.1
Impairments of:		
- Intangible assets	12.1	0.2
- Financial investments	950.9	55.8
- Loans and receivables including insurance receivables	33.7	11.8
Result on sale of investment property	-0.3	-0.1
Net unrealised fair value gains on financial assets and investment property	1,147.2	703.2
Share of profit or loss from associates	27.8	3.2
Cash generating profit of the year	**2,318.7**	**1,903.0**
Net (increase)/decrease in intangible assets related to insurance and investment contracts	-18.6	1.3
Net (increase)/decrease in other intangible assets	-4.5	-16.5
Net (increase)/decrease in investment property	-236.2	-67.3
Net (increase)/decrease in plan assets	-11.6	-12.6
Net (increase)/decrease in associates	101.3	-5.0
Net (increase)/decrease in debt securities	390.6	149.4
Net (increase)/decrease in equity securities	-3,281.1	-898.6
Net (increase)/decrease in other investments	261.9	-610.5
Net (increase)/decrease in loans and receivables	-827.0	-1,106.7
Net (increase)/decrease in reinsurance assets	550.7	-153.0
Net (increase)/decrease in other assets	-191.8	-303.6
Net (increase)/decrease in receivables and other financial fixed assets	-1,649.2	-2,552.2
Net (increase)/decrease in prepayments and accrued income	-81.2	75.1
Net (decrease)/increase in insurance contract liabilities	2,519.2	1,108.9
Net (decrease)/increase in investment contract liabilities	557.1	48.5
Net (decrease)/increase in pension obligations	98.6	49.8
Net (decrease)/increase in tax assets / liabilities	-110.6	-72.2
Net (decrease)/increase in borrowings	-535.7	-30.3
Net (decrease)/increase in other liabilities	-60.5	1,386.1
Net (decrease)/increase in financial liabilities	874.5	167.8
Net movement in derivative financial instruments	86.8	-72.0
Cash flow from operating activities	**751.7**	**-1,010.4**

Consolidated cash flow statement

In millions of euros	2008	2007
Cash flow from operating activities	**751.7**	**-1,010.4**
Interest paid	-848.6	-748.9
Interest received	1,865.2	1,648.5
Dividends received	487.0	395.5
Corporation tax paid	45.1	-194.3
Net cash flow from operating activities	**2,300.3**	**90.4**
Net cash flow from operating activities of discontinued operations	406.6	-16.3
	2,706.9	**74.1**
Cash flow from investing activities		
New equity capital	-4.2	-306.7
Acquisition of associates	-	-1.8
Disposal of associates	15.3	6.1
Acquisition of subsidiaries, including cash and cash equivalents acquired	-65.6	-88.8
Disposal of subsidiaries, including cash and cash equivalents sold	4.4	-
Purchases of property and equipment	-81.5	-5.2
Proceeds from sale of property and equipment	12.7	2.2
Net cash flow from investing activities	**-118.9**	**-394.1**
Net cash flow from investing activities of discontinued operations	-	0.7
Total	**-118.9**	**-393.5**
Cash flow from financing activities		
Proceeds from borrowings	527.7	1,749.7
Repayments of borrowings	-902.1	-1,293.0
Proceeds from issuance of convertible bonds		
Dividends paid to shareholders	-226.4	-173.9
Dividends paid to minority interests	-0.0	0.0
Net cash flow from financing activities	**-600.8**	**282.8**
Net cash flow from financing activities of discontinued operations	-38.5	38.6
Total	**-639.3**	**321.4**
Net (decrease)/increase in cash and cash equivalents	1,580.6	-21.0
Net (decrease)/increase in cash and cash equivalents of discontinued operations	368.0	22.9
Cash and cash equivalents at beginning of year	970.8	991.8
Net (decrease)/increase in cash and cash equivalents	1,580.6	-21.0
Cash and cash equivalents at year end	**2,551.4**	**970.8**
Cash and cash equivalents of discontinued operations at beginning of year	131.3	108.4
Net (decrease)/increase in cash and bank overdrafts	368.0	22.9
Cash and bank overdrafts from discontinued operationsat end of year	**499.3**	**131.3**
Total cash and bank overdrafts at end of year	**3,050.8**	**1,102.1**
Cash and bank overdrafts Delta Lloyd Group Health (3)	499.3	131.3
Cash and bank overdrafts CUIL (3)	-	12.9
Cash and bank overdrafts consolidated balance sheet	2,551.4	957.9

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

5.1.6 Notes to the consolidated financial statements

5.1.6.1 (1) Exchange rates

Delta Lloyd Group's operations are almost entirely carried out in the euro zone. There are no significant operations outside this area.

The total currency results led to a loss of € 1.5 million in 2008 (2007: loss of € 0.2 million).

5.1.6.2 (2) Subsidiary undertakings

(a) Acquisitions during the financial year

Acquisition of Swiss Life Belgium

On 30 June 2008, SNS Reaal and Delta Lloyd Group reached agreement on the sale of all the shares in Swiss Life Belgium to Delta Lloyd Group for € 141.9 million in cash. This price incorporates a preliminary calculation of goodwill of € 59.8 million. With this acquisition Delta Lloyd Group doubled its insurance activities in Belgium. Swiss Life Belgium is active in life and general insurance and property investment.

Swiss Life Belgium contributed a loss of € 44.0 million and gross written premiums in the amount € 173.1 million to the overall result achieved by Delta Lloyd Group. If the transaction had been effected as at 1 January 2008, the contribution would have been a loss of € 80.9 million. Gross written premiums for 2008 amounted to € 343.3 million.

The initial accounting for the acquisition of Swiss Life Belgium has not yet been determined definitively. In accordance with accounting standards, this will be done within twelve months of the acquisition date. It has been decided to complete the process in early 2009. The final balance sheet is not expected to show significant differences compared to the provisional acquisition balance sheet. Effective from 1 January 2009, the name Delta Lloyd Life is exclusively used instead of Swiss Life Belgium.

The acquired assets and liabilities as per 30 June 2008 are:

In millions of euros	30 juni 2008 IFRS Swiss Life Belgium	30 juni 2008 IFRS Delta Lloyd
Assets		
Intangible fixed assets	-	22.1
Property and equipment	23.6	23.6
Investment property	92.9	101.9
Debt securities	2,198.6	2,198.6
Equity securities	588.0	588.0
Loans	141.2	141.2
Reinsurance assets	35.1	35.1
Receivables and other financial assets	125.9	125.9
Other assets	25.0	25.0
Cash and cash equivalents	76.3	76.3
Total assets	**3,306.5**	**3,337.6**
Liabilities		
Insurance liabilities	2,071.8	1,955.1
Liabilities for investment contracts	1,036.9	970.9
Other provisions	51.7	51.7
Borrowings	176.9	176.9
Financial liabilities	25.6	25.6
Other liabilities	75.4	75.4
Total liabilities	**3,438.3**	**3,255.6**
Net asset acquired		82.0
Acquisition price		141.9
Goodwill		**59.8**

(b) Disposals

Disposal of CUIL SA

On 5 November 2008, Delta Lloyd Life exchanged its 100% interest in CUIL SA for a 15% interest in NEWPEL SA, which is recognised as equity. NEWPEL SA is an investment company specialising in insurance companies and is registered in Luxembourg. The sale price for CUIL SA was € 17.4 million. There was no gain or loss on the sale.

The disposed assets and liabilities as per 5 November 2008 are:

In millions of euros	5 November 2008
Assets	
AVIF	5.8
Debt securities	1.8
Equity securities	474.6
Other assets	17.4
Receivables and other financial assets	2.0
Cash and cash equivalents	6.9
Total assets	**508.5**
Liabilities	
Insurance liabilities	0.2
Liabilities for investment contracts	474.1
Other liabilities	16.9
Total liabilities	**491.1**
Shareholders funds	**17.4**

Disposal of Delta Lloyd Investment Managers GmbH

On 1 July 2008, Delta Lloyd Deutschland AG sold its interest in Delta Lloyd Investment Managers GmbH to KAS Bank for € 18.4 million, realising a capital gain of € 13.1 million. Total assets and total liabilities amounted to € 8.6 million and € 3.2 million, respectively.

(c) Other information

Information on the principal associates at 31 December 2008 is included in note 14, Investments in associates.

5.1.6.3 (3) Discontinued operations and assets held for sale

The composition of assets and liabilities classified as held for sale and of discontinued operations at year end is:

In millions of euros	2008	2007
Delta Lloyd Group Health	1,355.3	1,317.0
CUIL SA	-	598.5
ArboNed	-	2.7
OHRA property	-	36.5
Delta Lloyd Banking Division property	2.9	2.9
Total	**1,358.2**	**1,957.5**
Liabilities relating to assets held for sale		
Delta Lloyd Group Health	1,225.3	1,177.2
Staff-related liabilities due to Delta Lloyd Groep Zorgverzekeringen employees	-	2.9
CUIL SA	-	576.8
Total	**1,225.3**	**1,756.9**

Operations to be discontinued

In 2007, it was decided to sell the health operations to the Tilburg-based CZ Group. A sale and purchase agreement was signed on 14 December 2007. From that date, the financial data of the entities involved are recognised separately as discontinued operations in the financial statements. These are impaired if the fair value less expected selling costs of the assets is lower than the carrying value. There was no impairment. The transaction was effected from 1 January 2009. Until that date Delta Lloyd Group continued to bear the insurance risk of the health activities. The run-off for the years before 2009 is for the risk of Delta Lloyd Group.
In accordance with IFRS 5 Non-current assets held for sale and discontinued operations, the health operations are presented as discontinued operations.
From 1 January 2009, CZ undertakes the following activities: healthcare procurement, claim settlement and policy processing. Delta Lloyd will retain responsibility for the marketing and distribution of health insurance policies, which will be sold under the ‘Delta Lloyd’ and ‘OHRA’ labels.
The following table gives the results of Delta Lloyd Group Health recognised in the consolidated income statement as discontinued operations.

Summarised income statement of Delta Lloyd Group Health at year end

In millions of euros	2008	2007
Total income	1,585.7	1,410.3
Total expenses	1,558.6	1,422.2
Result before tax	**27.0**	**-11.9**
Current tax	8.0	-7.4
Net result	**19.0**	**-4.4**

The gross profit on the sale of Delta Lloyd Group Health at 1 January 2009 is € 25.0 million. Costs of € 6.2 million relating to the sale have also been recognised in 2009.
The assets and liabilities recognised as discontinued operations in the consolidated balance sheet of Delta Lloyd Group at 31 December amount to:

Assets and liabilities of Delta Lloyd Group Health at year end

In millions of euros	2008	2007
Assets		
Debt securities	347.0	321.5
Equity securities	62.4	109.3
Other loans and receivables	0.0	82.1
Cash and cash equivalents	499.3	131.3
Other assets	566.5	891.8
Adjustment for group eliminations	-119.9	-219.1
Assets held for sale	**1,355.3**	**1,317.0**
Liabilities		
Insurance liabilities	733.2	853.3
Provisions for other liabilities	7.6	7.6
Borrowings	-	38.6
Financial liabilities	32.4	97.8
Other liabilities	484.0	299.9
Adjustment for group eliminations	-32.0	-119.8
Liabilities relating to assets held for sale	**1,225.3**	**1,177.2**

Adjustments for group eliminations relate to intercompany eliminations with other Delta Lloyd Group companies and deferred taxes. These fall outside the scope of the agreement with CZ Group.

Revaluation reserves of Delta Lloyd Group Health in relation to assets classified as available for sale at year end

In millions of euros	2008	2007
At 1 January 2008	**5.4**	**30.0**
Net fair value gains and losses arising in period	-10.6	-29.1
Aggregate tax effect	1.5	4.5
At 31 December 2008	**-3.7**	**5.4**

Non-current assets held for sale

Apart from the sale of Delta Lloyd Group Health, the following item is recognised in the balance sheet as non-current asset held for sale:

On 31 December 2007, Delta Lloyd Bank decided to sell its building in Antwerp, Belgium. The property is recognised as an asset held for sale as of this date. The expected selling price is higher than the carrying value of the building. The transaction is expected to be completed in the near future.

The planned sale of the office in Arnhem was cancelled. The building is again recognised as owner-occupied property, see note 12. Depreciation expense has been adjusted as if there was no held for sale treatment.

5.1.6.4 (4) Segmental information

In preparing the segmental financial information, the classification of assets and liabilities as discontinued operations and assets held for sale, as described in note 3, is not taken into account.

(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 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. As explained under note 3, the health operations, with the exception of the Delta Lloyd and OHRA sales channels, were sold to CZ Group effective 1 January 2009.

Banking

The banking division incorporates virtually 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 portfolios 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 for the year ending 31 December

In millions of euros	Life	General	Health	Bank	Fund Management	Other	Total 2008
Income							
Net premiums earned	4,506.5	1,260.0	1,562.5	-	-	0.2	7,329.2
Interest income	1,062.6	77.0	41.9	437.8	-2.5	290.4	1,907.2
Total investment and other income (excl. interest income)	-581.3	-72.3	-18.9	-65.9	107.8	37.1	-593.4
Total income	**4,987.8**	**1,264.7**	**1,585.6**	**371.9**	**105.3**	**327.7**	**8,643.0**
Expenses							
Insurance and investment contract expenses	3,932.5	722.5	1,477.5	-	-	-	6,132.5
Finance costs	183.6	3.6	4.2	337.8	0.0	342.1	871.4
Other expenses	722.1	513.4	115.3	196.8	92.7	176.0	1,816.3
Total expenses	**4,838.3**	**1,239.5**	**1,597.0**	**534.6**	**92.7**	**518.1**	**8,820.3**
Segment results	**149.5**	**25.2**	**-11.5**	**-162.7**	**12.6**	**-190.3**	**-177.3**
Current tax							-24.1
Net result after tax before minority interests							**-153.2**
Total intercompany income	185.4	22.4	3.9	73.2	20.1	250.3	555.2
Total intercompany expenses	148.5	104.1	43.2	32.6	53.0	173.8	555.2

The differences between the consolidated income statement and the income statement by segment is attributable to the presentation of the health operations.

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

In millions of euros	Life	General	Health	Bank	Fund Management	Other	Total 2008
Depreciation	16.3	0.4	-	6.9	0.7	7.6	31.9
Amortisation of intangible fixed assets	13.9	11.4	-	2.6	-	1.1	29.0
Impairment of goodwill, AVIF and other intangible fixed assets	7.9	-	-	-	-	4.1	12.1
Impairment of doubtful debt	1.9	5.8	18.1	-	-	5.7	31.5
Reversal of impairment of doubtful debt	-4.1	-3.7	-	-	-	-2.5	-10.3

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 2007
Income							
Net premiums earned	3,965.7	1,156.4	1,360.8	-	-	-	6,483.0
Interest income	1,009.8	76.0	20.9	332.8	2.0	228.0	1,669.5
Total investment and other income (excl. interest income)	417.3	29.6	28.4	102.6	124.5	-22.9	679.4
Total income	**5,392.8**	**1,262.0**	**1,410.1**	**435.4**	**126.5**	**205.1**	**8,831.9**
Expenses							
Insurance and investment contract expenses	3,890.7	521.9	1,315.6	-	-	-	5,728.2
Finance costs	265.4	2.4	2.0	245.7	0.2	239.0	754.7
Other expenses	605.5	490.8	123.3	182.5	92.1	45.9	1,540.1
Total expenses	**4,761.6**	**1,015.1**	**1,440.9**	**428.2**	**92.3**	**284.9**	**8,023.0**
Segment results	**631.2**	**247.0**	**-30.8**	**7.2**	**34.2**	**-79.9**	**809.0**
Current tax							21.6
Net result after tax before minority interests							**787.3**
Total intercompany income	127.2	9.0	4.9	76.3	19.9	304.2	541.4
Total intercompany expenses	154.6	123.7	39.6	29.0	59.4	168.5	541.4

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 2007
Depreciation	5.9	0.0	-	7.4	0.2	7.4	21.0
Amortisation	18.7	8.1	-	3.1	-	0.8	30.7
Impairment of goodwill, AVIF and other intangible fixed assets	-	0.2	-	-	-	-	0.2
Impairment of doubtful debt	1.2	5.5	6.7	-	-	-	13.5
Reversal of impairment of doubtful debt	-1.3	-2.6	-	-	-	-6.7	-10.5

Segmental balance sheet at year end

In millions of euros	Life	General	Health	Bank	Fund Management	Other	Total 2008
Assets							
Intangible assets	120.2	59.0	-	6.0	-	264.8	450.0
Investments in associates	483.4	75.0	-0.0	0.7	0.1	-362.9	196.2
Financial investments	37,627.1	2,231.7	417.1	7,912.0	-	4,415.6	52,603.5
Reinsurance assets	481.8	240.3	-	-	-	-	722.0
Current tax assets	105.1	6.7	-	27.0	-	-60.2	78.7
Other assets	6,801.7	578.2	1,062.4	449.3	66.1	154.8	9,112.5
Total assets	**45,619.3**	**3,190.8**	**1,479.5**	**8,395.0**	**66.1**	**4,412.2**	**63,163.0**
Total equity	**3,243.4**	**632.8**	**195.0**	**254.6**	**50.1**	**-1,090.1**	**3,285.8**
Liabilities							
Insurance liabilities	31,741.2	2,070.3	733.2	-	-	-	34,544.8
Other liabilities	10,634.8	487.7	551.2	8,140.4	16.1	5,502.2	25,332.4
Total liabilities	**42,376.0**	**2,558.1**	**1,284.4**	**8,140.4**	**16.1**	**5,502.2**	**59,877.2**
Total liabilities and equity	**45,619.3**	**3,190.8**	**1,479.5**	**8,395.0**	**66.1**	**4,412.2**	**63,163.0**
Capital expenditure							
Property and equipment	10.0	0.3	-	6.5	0.1	9.4	26.3
Intangible assets	32.3	-	-	2.8	-	1.5	36.5
Total investments	**42.3**	**0.3**	**-**	**9.3**	**0.1**	**10.9**	**62.9**

The differences between the consolidated balance sheet and the segmental balance sheet arise from the presentation of the Health segment.

The 'Other' segment includes a negative amount for investments in associates. This represents a consolidation adjustment on investments in associates held by various group companies in the life and general insurance segments.

Segmental balance sheet at prior year end

In millions of euros	Life	General	Health	Bank	Fund Management	Other	Total 2007
Assets							
Intangible assets	115.6	70.4	-	6.8	-	214.0	406.8
Investments in associates	491.1	68.2	-	-	-	-216.3	343.0
Financial investments	36,853.9	2,282.0	511.5	6,898.1	-	5,509.0	52,054.4
Reinsurance assets	1,065.9	216.6	-	-	-	-	1,282.5
Other assets	6,498.4	519.9	1,035.4	325.9	106.4	-256.6	8,229.4
Total assets	**45,024.8**	**3,157.0**	**1,546.9**	**7,230.8**	**106.4**	**5,250.1**	**62,316.1**
Total equity	**4,244.2**	**882.9**	**236.2**	**311.9**	**64.1**	**-666.0**	**5,073.4**
Liabilities							
Insurance liabilities	29,391.5	1,900.8	853.3	-	-	-	32,145.6
Other liabilities	11,389.1	373.3	457.4	6,918.9	42.3	5,916.2	25,097.1
Total liabilities	**40,780.6**	**2,274.1**	**1,310.6**	**6,918.9**	**42.3**	**5,916.2**	**57,242.6**
Total liabilities and equity	**45,024.8**	**3,157.0**	**1,546.9**	**7,230.8**	**106.4**	**5,250.1**	**62,316.1**
Capital expenditure							
Property and equipment	7.9	0.0	-	8.3	0.0	14.3	30.5
Intangible assets	19.5	41.5	-	5.0	-	59.8	125.9
Total investments	**27.4**	**41.5**	**-**	**13.3**	**0.0**	**74.1**	**156.4**

(b) Secondary reporting format - geographical segments

Delta Lloyd Group operates in three main geographical areas. These are the Netherlands, Belgium and Luxemburg, and Germany. The activities in Luxemburg were sold in 2008; see also note 3 'Discontinued operations and assets held for sale'.
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	2008	2007
Net premiums earned		
The Netherlands	6,355.2	5,685.7
Belgium and Luxemburg	520.3	400.1
Germany	453.7	397.2
Total	**7,329.2**	**6,483.0**
Total assets		
The Netherlands	46,105.7	47,671.1
Belgium and Luxemburg	11,487.0	7,970.9
Germany	5,570.5	6,671.1
Other	-0.2	3.1
Total	**63,163.0**	**62,316.2**
Capital expenditure		
The Netherlands	24.0	128.9
Belgium and Luxemburg	34.0	19.1
Germany	4.9	8.5
Total	**62.9**	**156.4**

The geographical result before tax can be broken down by segment as follows:

Geographical result before tax for the year ending 31 December

In millions of euros	Life	General	Health	Bank	Fund Management	Other	Total 2008
The Netherlands	352.8	30.7	-11.5	-104.4	12.6	-440.4	-160.3
Belgium and Luxemburg	-90.5	-5.5	-	-59.0	-	133.7	-21.3
Germany	-112.8	-	-	0.7	-	116.4	4.2
Result before tax	**149.5**	**25.2**	**-11.5**	**-162.7**	**12.6**	**-190.3**	**-177.3**
Result before tax from discontinued operations	-	-	27.0	-	-	-	27.0
Total	**149.5**	**25.2**	**15.6**	**-162.7**	**12.6**	**-190.3**	**-204.3**

Geographical result before tax for the year ending 31 December of the prior year

In millions of euros	Life	General	Health	Bank	Fund Management	Other	Total 2007
The Netherlands	601.8	247.0	-30.8	-7.8	34.2	-39.3	805.0
Belgium and Luxemburg	28.4	-	-	15.0	-	-39.9	3.5
Germany	1.2	-	-	0.1	-	-0.8	0.4
Other	-	-	-	-	-	-	-
Result before tax	**631.4**	**247.0**	**-30.8**	**7.2**	**34.2**	**-80.0**	**809.0**
Result before tax from discontinued operations	-	-	-11.9	-	-	-	-11.9
Total	**631.4**	**247.0**	**-18.9**	**7.2**	**34.2**	**-80.0**	**820.8**

5.1.6.5 (5) Details of income

Details of income for the year ending 31 December

In millions of euros	2008	2007
Premiums earned		
Life	4,533.1	4,053.8
General	1,378.1	1,250.7
Gross written premiums	**5,911.2**	**5,304.5**
Premiums ceded to reinsurers	-119.6	-188.6
Net written premiums	**5,791.6**	**5,115.9**
Gross movement in provision for unearned premiums	-11.7	2.4
Reinsurers' share of movement in provision for unearned premiums	-13.2	3.9
Net movement in provision for unearned premiums	**-24.9**	**6.2**
Net premiums earned	**5,766.7**	**5,122.2**
Fee and commission income		
Fee income from investment contract business	9.6	12.8
Fund management fee income	104.5	123.3
Other fee income	193.2	114.3
Total income from reinsurance premiums	14.7	38.1
Other commission income	44.2	54.1
Total fee and commission income	**366.2**	**342.5**
Total premium and fee income	**6,132.9**	**5,464.7**
Investment income		
Interest income	1,868.8	1,653.6
Rental income	124.0	112.0
Dividends	487.0	395.5
Subtotal	**2,479.8**	**2,161.2**
Movements in the value of investments classified as held for trading	-39.9	-7.3
Movements in the value of investments classified as other than trading	-1,857.5	-927.2
Realised gains and losses on available-for-sale investments	-768.7	519.3
Result from loans and receivables	-25.2	-5.7
Result from derivatives	734.2	43.9
Other investment income	-33.5	85.9
Share of profit or loss after tax of associates	-27.8	-3.2
Total investment income	**461.5**	**1,866.9**
Other operating income	501.1	132.6
Result on disposal of subsidiaries	13.1	-
Total income	**7,108.6**	**7,464.2**

Other operating income mainly consists of the revaluation of the loan notes issued by the Arena and DARTS companies in relation to the securitised mortgage loans.

Result on outward reinsurance for the year ending 31 December

In millions of euros	2008	2007
Life	11.0	87.7
General	58.5	40.3
Total	**69.4**	**128.1**

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

Interest income from financial assets includes € 0.5 million (2007: € 0.1 million) in accrued interest on impaired loans.

Interest income for the year ending 31 December

In millions of euros	2008	2007
Debt securities available for sale	117.1	130.5
Debt securities held for trading	8.7	8.9
Debt securities other than trading	572.6	497.3
Total debt securities	**698.4**	**636.7**
Total mortgage loans	**596.2**	**503.0**
Deposits	10.5	23.4
Issued loans	139.2	141.8
Loans to banks	70.3	26.5
Loans and advances to clients	99.9	83.3
Cash and cash equivalents	65.2	96.7
Other	189.1	142.2
Other interest income	**574.2**	**513.9**
Total interest income	**1,868.8**	**1,653.6**

Financial assets not designated at fair value through profit or loss includes interest income of € 883.4 million (2007: € 787.7 million), calculated using the effective interest rate method.

Result from derivatives for the year ending 31 December

In millions of euros	2008	2007
Movement in fair value of the hedging instrument	-82.6	-
Movement in fair value of the hedged positions	81.4	-
Amortisation of the fair value of the hedged positions	-0.7	-
Movements in fair value of derivatives held for fair value hedge accounting	**-1.9**	
Other derivatives	736.1	43.9
Total result from derivatives	**734.2**	**43.9**

5.1.6.6 (6) Details of expenses

Analysis of expenses in financial year

In millions of euros	2008	2007
Claims and benefits paid		
Life	3,434.7	3,530.9
General	764.6	635.3
Total claims and benefits paid	**4,199.3**	**4,166.2**
Claim recoveries from reinsurers		
Life	-606.0	-144.4
General	-36.0	-38.3
Total claim recoveries from reinsurers	**-642.1**	**-182.8**
Net claims and benefits paid	**3,557.3**	**3,983.4**
Change in insurance liabilities, net of reinsurance		
Change in insurance liabilities	434.6	170.0
Change in reinsurance assets for insurance provisions	578.7	126.1
Total change in insurance liabilities, net of reinsurance	**1,013.4**	**296.1**
Profit sharing and discounts	84.4	133.1
Expenses relating to the acquisition of insurance and investment contracts	714.7	615.7
Expenses relating to the acquisition of other contracts	41.2	50.8
Finance costs:		
Amounts owed to credit institutions	696.1	343.8
Debenture loans	19.0	64.6
Subordinated debt	55.8	32.3
Securitised mortgages	102.6	316.4
Total finance costs	**873.5**	**757.2**
Other operating expenses		
Staff costs and other employee-related expenditures	715.0	585.0
Amortisation of intangible fixed assets	29.0	30.7
Depreciation on property and equipment	31.9	21.0
Operating expenses	557.9	409.4
Gains and losses on disposals	-0.3	-0.1
Impairment of goodwill, AVIF and other intangible fixed assets	12.1	0.2
Impairments of receivables	13.4	6.8
Reversal of impairment on receivables	-10.3	-10.5
Other expenses	16.8	19.5
Foreign exchange differences	-0.4	0.4
Allocated to expenses relating to the acquisition of insurance and investment contracts	-336.5	-255.2
Total other operating expenses	**1,028.6**	**807.1**
Total expenses	**7,313.0**	**6,643.4**

Expenses under operating leases (included in expenses) amount to € 30.6 million (2007: € 35.2 million). No contingent rents or sublease payments are included in this amount.

5.1.6.7 (7) Employee information

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

Number in FTEs	2008	2007
Permanent staff	6,404	6,042
Temporary staff	914	934
Permanent staff deployed at operations held for sale	270	365
Temporary staff deployed at operations held for sale	166	210
Total	**7,753**	**7,551**

The increase in permanent staff numbers is explained mainly by the acquisition of Swiss Life Belgium.

Staff costs for the year ending 31 December

In millions of euros	2008	2007
Salaries	314.1	299.8
External staff	136.7	116.0
Social security contributions	52.5	45.6
Pension and post-retirement expenses	75.1	18.0
Profit sharing and incentive plans	-11.8	29.8
Termination benefits	6.5	4.1
Other staff costs	141.9	71.8
Total	**715.0**	**585.0**

Other staff costs include € 39.3 million in travel expenses, holiday allowances and training costs (2007: € 33.5 million).
For the Phantom Option Plan as described in accounting policy AC, an amount of € 17.0 million was credited to the income statement (2007: € -19.0 million).

Staff costs charged to:

In millions of euros	2008	2007
Expenses relating to the acquisition of insurance and investment contracts	94.6	82.2
Other operating expenses	620.3	502.8
Total	**715.0**	**585.0**

5.1.6.8 (8) Remuneration of directors

The Executive Board's remuneration consists of three components: the basic salary and the variable short-term and long-term rewards. The remuneration policy was adopted by the Remuneration Committee of the Supervisory Board.

Basic salary

Delta Lloyd Group rewards the Executive Board based on job weight (graded using the Hay method) and research in the remuneration market. According to the remuneration policy, the basic salary can be adjusted biannually on the basis of these criteria. To this end, the remuneration benchmark that Hay Management Consultants produces annually is used. The aim is to set the basic salary in such a manner that about 25% of the remuneration packages in the comparative 'peer group' are higher than the Delta Lloyd Group package. In conformity with this method, the basic salary was increased by 5% with effect from 1 January 2008.

Short-term variable reward

The performance-related remuneration is granted on the basis of quantitative and qualitative targets that are set annually. Depending on the realisation of these targets, a variable reward is granted with a maximum of 70% of twelve monthly salaries or, if the objectives are exceeded to an exceptional degree, up to a maximum of 105%.

On the grounds of the realisation of the targets for 2007, the Supervisory Board decided upon the recommendation of the Remuneration Committee to grant the Executive Board a variable reward of 60% for 2007. This reward was paid out in 2008.

Given the situation in the financial markets and the 2008 result of Delta Lloyd Group, the Executive Board has decided to waive any variable reward for the year 2008. Directors and managers who are eligible for a variable reward scheme will also not be granted any variable reward for the year 2008.

Long-term variable reward (Delta Lloyd Phantom Option Plan)

Under the Delta Lloyd Group Phantom Option Plan, options are granted to the Executive Board. The number of options that is granted annually is a percentage of the basic salary and depends on the option price.
After three years, the percentage of the granted options (vesting percentage) that may be exercised in the next five-year period is determined.
This vesting percentage is determined on the basis of the position that Delta Lloyd Group occupies in a pre-determined peer group. The key criterion in this connection is the relative development of the embedded value over a three-year period. Only in the case of a top-five ranking will vesting or partial vesting take place by means of a decreasing vesting percentage. Vested options can be exercised over a five-year period.
The value of the options is linked to the value development of Delta Lloyd Group as measured by the embedded value.
The payment from the options of any one year is maximised at 200% of twelve monthly salaries for the Chairman of the Executive Board and at 160% for the other members of the Executive Board.

Remuneration

The table below shows the amounts paid during the financial year.

The salaries were charged to the result in 2008. The amount shown for the variable reward was charged to the result in 2007 and the payments on the phantom options had been provided for in the years to 2005.

No variable reward was granted in 2008.

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 € 1.8 million (2007: € 2.6 million) and € 0.3 million (2007: € 0.3 million) respectively.

The total renumeration of the Executive Board and the Supervisory Board is shown in the tables below.

Executive Board members' salaries and bonuses

In thousands of euros	2008	2007
N.W. (Niek) Hoek, chairman		
Salary	533.9	508.5
Variable reward prior year	262.2	262.2
Payment of Phantom options	917.8	874.1
	1,713.9	**1,644.8**
P.J.W.G. (Peter) Kok		
Salary	421.5	401.4
Variable reward prior year	207.0	172.5
Payment of Phantom options	579.7	552.1
	1,208.2	**1,126.0**
P.K. (Paul) Medendorp		
Salary	421.5	401.4
Variable reward prior year	207.0	172.5
Payment of Phantom options	579.7	552.1
	1,208.2	**1,126.0**
H.H.(Henk) Raué		
Salary	421.5	401.4
Variable reward prior year	207.0	124.8
Payment of Phantom options	671.9	-
	1,300.4	**526.2**
Total	**5,430.7**	**4,423.0**

Of loans granted to Board members, € 1.3 million was still outstanding as at 31 December 2008. No repayments were made in 2008.

Pension expenses in relation to members of the Executive Board

In thousands of euros	Pension expenses at 31 December 2008	Pension expenses at 31 December 2007
N.W. (Niek) Hoek, chairman	78.8	110.9
P.J.W.G. (Peter) Kok	62.3	87.5
P.K. (Paul) Medendorp	62.3	87.5
H.H.(Henk) Raué	62.3	87.5
Total	**265.7**	**373.4**

Phantom Option Plan

In number of options	At 1 January 2008	Granted	Exercised	Expired	At 31 December 2008
N.W. (Niek) Hoek, chairman	706,223	218,535	149,698	49,899	725,161
P.J.W.G. (Peter) Kok	456,184	141,157	96,698	32,233	468,410
P.K. (Paul) Medendorp	456,384	141,157	96,698	32,233	468,610
H.H.(Henk) Raué	293,327	141,157	81,878	15,211	337,395
Total	**1,912,118**	**642,006**	**424,972**	**129,576**	**1,999,576**

Phantom Option Plan

In number of options	At 1 January 2007	Granted	Exercised	Expired	At 31 December 2007
N.W. (Niek) Hoek, chairman	590,284	273,165	137,573	19,653	706,223
P.J.W.G. (Peter) Kok	381,294	176,451	88,866	12,695	456,184
P.K. (Paul) Medendorp	381,294	176,451	88,666	12,695	456,384
H.H.(Henk) Raué	170,869	127,636	-	5,178	293,327
Total	**1,523,741**	**753,703**	**315,105**	**50,221**	**1,912,118**

In the Delta Lloyd Group Phantom Option Plan, performance units are awarded to the 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. The value of € 0.0 million (2007: € 3.9 million) in respect of the Delta Lloyd Group Phantom Option Plan is included in the other provisions.

In 2008 € 2.7 million (2007 € 2.0 million) has been paid out to members of the Board via exercised Phantom options.

Remuneration of the Supervisory Board

In thousands of euros	2008	2007
R.H.P.W. (René) Kottman, chairman 1)		
Remuneration	55.0	45.0
Other	5.7	5.6
	60.7	**50.6**
V.A.M. (Vincent) van der Burg 4)		
Remuneration	22.5	35.0
Other	3.2	6.6
	25.7	**41.6**
P.G. (Pamela) Boumeester		
Remuneration	40.0	32.5
Other	3.0	2.7
	43.0	**35.2**
Ph.G. (Philip) Scott 2) 6)		
Remuneration	-	-
Other	-	-
	-	**-**
M.H.M. (Marcel) Smits		
Remuneration	40.0	32.5
Other	2.7	2.7
	42.7	**35.2**
J. (Jan) Haars		
Remuneration	40.0	32.5
Other	3.2	3.2
	43.2	**35.7**
E.J. (Eric) Fischer		
Remuneration	40.0	32.5
Other	1.5	0.2
	41.5	**32.7**
A.J. (Andrew) Moss 2) 3)		
Remuneration	-	-
Other	-	-
	-	**-**
J.H. (Jan) Holsboer 5)		
Remuneration	25.0	-
Other	-	-
	25.0	**-**
Total	**281.8**	**231.0**

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) Unpaid Supervisory Board member

3) Appointed as of 16 May 2007

4) Resigned on 14 May 2008

5) Appointed as of 14 May 2008

6) Appointed as of 7 December 2007

5.1.6.9 (9) Tax expense

Tax charged to the income statement for the year ending 31 December

In millions of euros	2008	2007
Tax due for immediate payment	**-71.4**	**-132.6**
Deferred taxation:		
Originating from timing differences	33.6	158.6
Changes in tax rates or tax legislation	-	2.2
Measurement of deferred tax assets	5.7	0.8
Total deferred tax	**39.3**	**161.7**
Total tax charged to income statement	**-32.1**	**29.1**

If a taxable entity has a net deferred tax liability and initially there are unrecognised tax loss carry forwards that liability is used to increase the deferred tax asset by the amount of tax relating to those losses.

Tax charged to equity for the year ending 31 December

In millions of euros	2008	2007
Deferred tax	-121.1	-72.3
Total tax charged to equity	**-121.1**	**-72.3**

Deferred tax taken to equity pertains to tax on gains and losses on investments recognised in equity. The nominal tax rate was 25.5% in the Netherlands and 33.99% in Belgium in both 2008 and 2007. In Germany the nominal tax rate was 30.0% in 2008 and 40.0% in 2007.

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	2008	2007
Result before tax	**-204.3**	**820.8**
Tax calculated at standard Netherlands corporation tax rate of 25.5%	-52.1	209.3
Changes in the applicable tax rate	-	2.2
Non-assessable dividends	-42.7	-29.6
Impairment of 5% interests in associates	120.9	-
Realised gains on 5% interests in associates	-44.5	-91.2
Recognised tax assets during the year	-5.6	-63.4
Other	-8.2	1.7
Total tax charged to income statement	**-32.1**	**29.1**

5.1.6.10 (10) Goodwill

Goodwill carrying value for the year ending 31 December

In millions of euros	2008	2007
Gross carrying value of goodwill		
At 1 January	**213.1**	**170.2**
Additions	59.8	57.0
Other adjustments	-0.3	-10.1
Reclassified as assets held for sale	-	-3.9
At 31 December	**272.7**	**213.1**
Accumulated impairment		
At 1 January	**-7.7**	**-7.7**
Impairment losses	-4.1	-
At 31 December	**-11.8**	**-7.7**
Net carrying value of goodwill at 31 December	**260.9**	**205.4**

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	Delta Lloyd ABN AMRO Verzekeringen Holding BV	Delta Lloyd Bankengroep NV	Participatie & Financierings Maatschappij Delta Lloyd BV	Delta Lloyd Schadeverzekering NV	Swiss Life Belgium NV	Cyrte Investments BV	Eurolloyd Verzekeringen NV	Total
Carrying value of goodwill	**127.3**	**15.0**	**0.4**	**2.4**	**59.8**	**55.4**	**0.7**	**260.9**

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 has led to an impairment of goodwill of € 4,1 million (2007: € 0.0 million).

Additions totalled € 59.8 million in 2008 and included the acquisition of Swiss Life Belgium NV. The goodwill figure may be adjusted once the value measurements have been finalised. In 2008, the definitive goodwill figure for Cyrte investments led to a downward adjustment of € -0.3 million. This is reported in the segment Other. Delta Lloyd Group has not recognised goodwill on discontinued operations.

5.1.6.11 (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 2007	**74.5**	**116.9**	**123.0**	**314.4**
Additions	8.6	14.3	44.1	67.0
Disposals	-	-11.1	-0.0	-11.1
Other adjustments	-2.1	-0.1	-1.1	-3.3
At 31 December 2007	**81.0**	**120.1**	**166.0**	**367.1**
Additions	26.3	8.9	1.0	36.3
Disposals	-	-10.4	-0.2	-10.7
Other adjustments	-	-4.1	-	-4.1
At 31 December 2008	**107.3**	**114.4**	**166.8**	**388.6**
Accumulated amortisation				
At 1 January 2007	**-29.8**	**-74.0**	**-34.2**	**-137.9**
Amortisation for the year	-7.7	-12.1	-10.8	-30.7
Disposals	-	2.0	-	2.0
Other adjustments	-	0.0	0.6	0.6
At 31 December 2007	**-37.5**	**-84.0**	**-44.4**	**-166.0**
Amortisation for the year	-5.6	-8.7	-14.4	-28.8
Disposals	-	4.8	0.2	5.0
Other adjustments	-	3.2	-	3.2
At 31 December 2008	**-43.2**	**-84.7**	**-58.6**	**-186.5**
Accumulated impairment				
At 1 January 2007	**-**	**-5.3**	**-**	**-5.3**
Impairment losses recognised	-	-	-0.2	-0.2
At 31 December 2007	**-**	**-5.3**	**-0.2**	**-5.4**
Impairment losses recognised	-2.1	-5.8	-	-7.9
Disposals	-	0.5	-	0.5
At 31 December 2008	**-2.1**	**-10.6**	**-0.2**	**-12.9**
Carrying value				
At 1 January 2007	**44.7**	**37.7**	**88.9**	**171.2**
At 31 December 2007	**43.4**	**30.8**	**121.4**	**195.6**
At 31 December 2008	**62.0**	**19.1**	**108.0**	**189.1**

Software purchases included €4.6 million (2007: €8.8 million) for internally generated software. €4.3 million (2007: €6.1 million) were purchased software.

The category "other" consists mainly of € 105.5 million (2007: € 119.0 million) relating to distribution channels obtained on of the acquisition of ABN AMRO Verzekeringen, Erasmus Verzekeringen and Eurolloyd Verzekeringen; these are being amortised over 20 to 30 years.

The acquired value in-force (AVIF) relates to the portfolio value of the acquired net assets of ABN AMRO Insurance, Erasmus Insurance and Swiss Life Belgium NV. This value is amortised on a straight line basis, over a period of 10 to 15 years. The remaining amortisation period at year-end 2008 for acquired AVIF relating to these portfolios is 9, 14 and 15 years respectively.
The impairment charge of € 5,8 million relates to Alis, a software package used by Delta Lloyd Life which has been written off; it will be replaced by a new package.

5.1.6.12 (12) Property and equipment

Property and equipment at year end

In millions of euros	Property under construction	Owner-occupied property	Total property	Motor vehicles	Computer equipment	Other equipment	Total
Cost price							
At 1 January 2007	**33.3**	**231.1**	**264.4**	**1.3**	**48.7**	**128.3**	**442.6**
Additions	14.0	3.0	17.0	0.1	6.9	6.4	30.5
Changes within Group	-	8.3	8.3	0.8	0.8	2.9	12.8
Disposals	-	-1.0	-1.0	-0.2	-6.1	-4.0	-11.3
Transfers to / from investment property	-23.6	-	-23.6	-	-	-	-23.6
Other adjustments	-	-0.0	-0.0	-	-	23.5	23.5
Reclassified as assets held for sale	-	-62.9	-62.9				-62.9
At 31 December 2007	**23.7**	**178.4**	**202.1**	**2.0**	**50.3**	**157.1**	**411.6**
Additions	4.4	6.5	10.9	-	3.9	11.5	26.3
Changes within Group	-	22.1	22.1	0.0	-0.5	1.3	22.9
Disposals	-10.3	-0.8	-11.1	-1.0	-0.7	-5.9	-18.9
Other adjustments	-	-	-	-	-	-0.2	-0.2
Transfer from/to assets held for sale	-	59.0	59.0				59.0
At 31 December 2008	**17.8**	**265.2**	**283.0**	**1.0**	**53.0**	**163.7**	**500.7**
Depreciation							
At 1 January 2007	**-**	**-42.7**	**-42.7**	**-1.3**	**-36.8**	**-100.6**	**-181.4**
Charge for the year	-	-6.0	-6.0	-0.1	-4.5	-10.2	-20.9
Disposals	-	0.3	0.3	0.1	6.1	2.3	8.9
Other adjustments	-	0.1	0.1	-	-2.2	0.4	-1.7
Reclassified as assets held for sale	-	9.9	9.9	-		-	9.9
At 31 December 2007	**-**	**-38.4**	**-38.4**	**-1.3**	**-37.4**	**-108.1**	**-185.2**
Charge for the year	-	-18.3	-18.3	-0.1	-4.7	-8.8	-31.8
Changes in group	-	-	-	-0.0	0.4	0.2	0.6
Disposals	-	0.3	0.3	0.4	0.7	4.9	6.2
Other adjustments	-	-	-	-	-1.8	-2.6	-4.3
Transfer from/to assets held for sale	-	-8.8	-8.8			-	-8.8
At 31 December 2008	**-**	**-65.1**	**-65.1**	**-1.0**	**-42.8**	**-114.4**	**-223.3**
Impairment							
At 1 January 2007	**-**	**-14.8**	**-14.8**	**-**	**-**	**-0.2**	**-15.0**
Disposals	-	-	-	-	-	0.2	0.2
Reclassified as assets held for sale		13.6	13.6				13.6
At 31 December 2007	**-**	**-1.2**	**-1.2**	**-**	**-**	**-**	**-1.2**
Transfer from/to assets held for sale		-13.6	-13.6				-13.6
At 31 December 2008	**-**	**-14.8**	**-14.8**	**-**	**-**	**-**	**-14.8**
Carrying value							
At 1 January 2007	**33.3**	**173.7**	**206.9**	**-**	**11.9**	**27.5**	**246.3**
At 31 December 2007	**23.7**	**138.9**	**162.6**	**0.8**	**12.9**	**49.0**	**225.2**
At 31 December 2008	**17.8**	**185.3**	**203.0**	**-**	**10.3**	**49.3**	**262.6**

Delta Lloyd Group has no material finance leases, nor has it leased property and equipment to third parties under operating leases

5.1.6.13 (13) Investment property

Investment property at year end

In millions of euros	Freeholds	Investment property – long-term lease contracts	Investment property – short-term lease contracts	Total
Cost price				
At 1 January 2007	**1,430.5**	**26.7**	**23.1**	**1,480.3**
Additions	77.0	22.8	21.5	121.3
Changes in group	1.7	-	-	1.7
Disposals	-64.0	-	-11.7	-75.7
Transfers to / from investment property	-	-	23.6	23.6
Other adjustments	-1.1	-	-	-1.1
At 31 December 2007	**1,444.1**	**49.5**	**56.4**	**1,550.0**
At 1 January 2008	**1,444.1**	**49.5**	**56.4**	**1,550.0**
Additions	171.2	0.8	0.7	172.8
Changes in group	96.0	-	-	96.0
Disposals	-27.8	-0.9	-	-28.8
At 31 December 2008	**1,683.4**	**49.5**	**57.1**	**1,790.0**
Revaluation				
At 1 January 2007	**537.3**	**6.2**	**1.5**	**544.9**
Fair value gains and losses	76.9	-0.5	-1.0	75.4
Changes in group	1.0	-	-	1.0
Disposals	-5.1	-0.0	-0.0	-5.1
Other adjustments	1.3	-	0.6	1.9
At 31 December 2007	**611.3**	**5.7**	**1.1**	**618.1**
At 1 January 2008	**611.3**	**5.7**	**1.1**	**618.1**
Fair value gains and losses	-32.4	-4.1	-1.3	-37.8
Changes in group	5.9	-	-	5.9
Disposals	-9.7	-	-	-9.7
At 31 December 2008	**575.2**	**1.6**	**-0.2**	**576.6**
Carrying value				
At 1 January 2007	**1,967.8**	**32.9**	**24.6**	**2,025.2**
At 31 December 2007	**2,055.4**	**55.2**	**57.5**	**2,168.1**
At 31 December 2008	**2,258.6**	**51.0**	**56.9**	**2,366.5**

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 € 237.3 million (2007: € 250.8 million). Of this amount, € 46.7 million (2007: € 52.4 million) is due within one year, € 148.1 million between one and five years, and the balance of € 42.5 after five years (2007: € 149.1 million and € 49.3 million respectively).

Direct operating expenses (including repairs and maintenance) amounted to € 18.2 million (2007: € 18.0 million). Of this amount, approximately € 0.5 million (2007: € 0.7 million) relates to expenditure on investment properties that did not generate rental income during the reporting period.

5.1.6.14 (14) Associates

Investments in associates at year end

In millions of euros	2008	2007
Carrying value		
At 1 January	**340.3**	**39.4**
Additions	-	1.8
New equity capital	4.2	306.7
Disposals	-15.3	-6.1
Share of result after tax	-27.8	-3.2
Dividends received	-	-0.5
Fair value gains and losses through equity	-101.4	5.0
Impairment	-6.5	-
Other adjustments	0.1	-0.1
Reclassified as assets held for sale	-	-2.7
At 31 December	**193.6**	**340.3**

The following capital contributions were made during 2008: a contribution of € 3.1 million to Lancyr Group BV and € 1.1 million to Meetingpoint BV. The interests in Credimo NV and Group Eurasca NV were sold on 31 January 2008. These transactions yielded a book profit of € 1.6 million. The interest in ArboNed BV was also sold, realising a book profit of € 4.5 million. The fair value loss relates to the interest in the Cyrte Funds. Impairment of € 6.5 million was recognised on the interest in Lancyr Groep BV. Delta Lloyd is currently seeking a market party to transfer the activities of Lancyr in the short term.

The Group's interests in its principal associates

In millions of euros (unless indicated otherwise)	Assets	Liabilities	Income	Result	Proportion held
Cyrte Fund I CV	754.8	754.8	645.2	-653.1	10,82%
Cyrte Fund II BV	317.4	0.0	149.9	-150.0	10,48%
Cyrte Fund III CV	476.0	476.0	260.5	-268.8	13,99%
At 31 December 2008	**1,548.2**	**1,230.8**	**1,055.6**	**-1,071.9**	
Credimo NV, Belgium	814.9	766.7	125.1	3.2	31,50%
Cyrte Fund I CV	1,410.8	1,410.8	41.3	36.5	11,11%
Cyrte Fund II BV	467.5	0.0	0.2	0.1	16,00%
Cyrte Fund III CV	782.0	782.0	30.4	30.0	17,91%
At 31 December 2007	**3,475.2**	**2,959.5**	**197.0**	**69.8**	

The figures are based on the most recent information made available to Delta Lloyd Group. Individual investments in other participating interests are not considered material.

Because Delta Lloyd Group has a direct interest in the Cyrte Funds and can exert, through its 85% interest in Cyrte Investments BV, significant influence over Cyrte Fund I, II and III, these funds are classified as associates.
At 31 December 2008, Delta Lloyd Group held a 30.1% interest in Van Lanschot NV. Generally,

when holding an interest exceeding 20%, it is assumed that significant influence is exercised on the financial and operating policy of the entity. Delta Lloyd Group, however, is unable to exercise its influence at Van Lanschot and has recognised its interest as an equity investment and not as an associate.

5.1.6.15 (15) Financial investments

Financial investments comprise:

In millions of euros	2008	2007
Debt securities	18,512.1	18,601.3
Equity securities	13,725.4	14,276.6
Derivatives held for fair value hedge accounting	1,363.9	305.7
Loans at fair value through profit or loss	6,102.6	5,898.3
Other loans and receivables	12,490.2	11,979.8
Total financial investments	**52,194.1**	**51,061.7**

Financial investments in debt securities at year end

In millions of euros	2008	2007
Debt securities		
Available for sale	2,585.9	3,060.7
Other than trading	15,868.5	15,354.8
Trading	57.6	185.8
Total debt securities	**18,512.1**	**18,601.3**

Financial investments in equity securities at year end

In millions of euros	2008	2007
Equity securities		
Available for sale	5,851.9	5,370.1
Other than trading	7,864.6	8,892.1
Trading	8.9	14.4
Total equity securities	**13,725.4**	**14,276.6**

Cost/amortised cost, gross unrealised gains and losses and fair value of loans and receivables at year end

In millions of euros	Impaired cost / amortised cost	Difference in value	Fair value 2008
Other loans and receivables	12,490.2	361.9	12,852.0

Cost/amortised cost, gross unrealised gains and losses and fair value of loans and receivables at prior year end

In millions of euros	Impaired cost / amortised cost	Difference in value	Fair value 2007
Other loans and receivables	11,979.8	-177.4	11,802.4

Fair value of investments by category at year end

In millions of euros	Included in the balance sheet at amortised cost	Recognised at fair value through profit and loss trading	Recognised at fair value through profit and loss other than trading	Available for sale	Total 2008
Debt securities	-	57.6	15,868.5	2,585.9	18,512.1
Equity securities	-	8.9	7,864.6	5,851.9	13,725.4
Derivatives	-	1,363.9	-	-	1,363.9
Loans at fair value through profit or loss	-	-	6,102.6	-	6,102.6
Other loans and receivables	12,852.0	-	-	-	12,852.0
At 31 December 2008	**12,852.0**	**1,430.4**	**29,835.7**	**8,437.8**	**52,556.0**

Fair value of investments by category at prior year end

In millions of euros	Included in the balance sheet at amortised cost	Recognised at fair value through profit and loss trading	Recognised at fair value through profit and loss other than trading	Available for sale	Total 2007
Debt securities	-	185.8	15,354.8	3,060.7	18,601.3
Equity securities	-	14.4	8,892.1	5,370.1	14,276.6
Derivatives	-	305.7	-	-	305.7
Loans at fair value through profit or loss	-	-	5,898.3	-	5,898.3
Other loans and receivables	11,802.4	-	-	-	11,802.4
At 31 December 2007	**11,802.4**	**505.9**	**30,145.2**	**8,430.8**	**50,884.3**

The item loans at fair value through profit or loss includes € 5,764.6 million (2007: € 5,628.5 million) in mortgage loans.

Closing prices provided by Bloomberg or alternate reputable data providers are used as input of determinig fair value.

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. Virtually all mortgages relate to residential property. 60.8% (2007: 56.2%) of the mortgages granted have a loan-to-value ratio that is less than 90% or have been guaranteed through the

National Mortgage Guarantee scheme. No mortgage loans have been granted with a loan-to-value ratio of more than 125% without additional collateral being pledged by the applicant. No derivative instruments were contracted to mitigate any credit risk; it is felt that hedging is not required given the relatively small credit risk exposure.
Certain unit-linked products have been classified as investment contracts, while some are included within the definition of an insurance contract. The assets backing these unit-linked 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.

To hedge the fair value risk of financial assets owing to market interest rate movements, Delta Lloyd Group uses derivatives as part of its asset and liability management. With effect from October 2008, fair value hedge accounting is applied to part of the hedged financial assets, provided these assets have been designated as such and the conditions for hedge accounting as referred to in accounting policy U have been met. These derivatives are recognised in the investment category 'Assets at fair value through profit or loss not held for trading'. Derivatives that do not meet these conditions are recognised under 'Derivatives not held for fair value hedge accounting' and classified in the investment category 'Assets at fair value through profit or loss held for trading'.

In the financial year 2008, Delta Lloyd Group recorded a loss amounting to € 82.6 million on the derivatives held for fair value hedge accounting. The profit on the hedged mortgages, where this stemmed from the hedged interest rate risk, amounted to € 81.4 million.

Fair value hedge accounting is only applied in the banking division.

The carrying value of financial investments in relation to unit-linked liabilities is as follows:

In millions of euros	2008	2007
Debt securities	2,095.5	4,953.0
Equity securities	6,864.9	7,763.9
Loans	108.5	103.5
Deposits	1.2	1.1
Reinsurance assets	19.6	18.8
Total	**9,089.7**	**12,840.2**
The associated liabilities are:		
Unit-linked contracts classified as insurance contracts	9,998.3	10,444.6
Unit-linked contracts classified as investment contracts	189.7	61.9
Third-party interests in investment funds	522.2	1,337.2
Total	**10,710.1**	**11,843.7**

In the table above a further breakdown is made to more properly reflect the nature of the various financial investments. The liabilities in relation to unit-linked investments are adjusted to the elimination of the pension obligations as explained in note 29. Including these pension obligations, the liabilities would be higher as presented. Any surplus on pension obligations serves to cover guaranteed contracts.

Accumulated impairment charges on AFS debt securities at year end

In millions of euros	2008	2007
At 1 January	**0.7**	**-**
Impairment charges during the year	15.7	0.7
At 31 December	**16.4**	**0.7**

Accumulated impairment charges on AFS equity securities at year end

In millions of euros	2008	2007
At 1 January	**336.3**	**366.8**
Impairment charges during the year	913.1	59.5
Disposals	-81.8	-90.0
At 31 December	**1,167.7**	**336.3**

Cumulative impairments on loans and receivables at year end

In millions of euros	2008	2007
At 1 January	**70.1**	**59.3**
Impairment charges during the year	40.0	22.2
Reversal of impairment charges during the year	-9.8	-7.5
Disposals	-4.5	-3.9
Other	-0.1	-
At 31 December	**95.6**	**70.1**

The impairment charge recognised on a number of loans held by the banking division amounted to € 12.1 million (2007: € 8.5 million). Reversed impairment charges relate to loans held by the banking division in an amount of € 7.4 million (2007: € 7.5 million).

The loans on which individual impairment was recognised had a gross value before this impairment of € 69.9 million. The impairment recognised on these loans was € 45.4 million. The value of the collateral relating to these loans was € 24.4 million. The collateral consists mainly of mortgaged properties.

Almost no accrued interest is recognised on financial assets subject to individual impairment.

The conditions governing financial assets that would otherwise have matured or been impaired were not renegotiated.

Securities lending

During the year, Delta Lloyd Group entered into agreements on lending securities from the Group's various investment portfolios. Securities lending agreements were entered into with Natixis SA and KBC Bank NV. No other securities lending arrangements were in effect at the balance sheet date.

The repurchase agreement includes € 396.2 million (2007: 0.0) of debt securities and other fixed income securities. The obligations under these agreements are recognised as 'Financial liabilities' (see note 31).

5.1.6.16 (16) Loans and receivables

Other loans and receivables at 31 December

In millions of euros	2008	2007
Loans to policyholders	177.5	148.2
Loans to banks	233.8	469.3
Loans and advances to clients and intermediaries	77.2	125.1
Issued loans	4,592.0	4,464.7
Total loans and advances	**5,080.5**	**5,207.3**
Securitised mortgage loans	2,339.8	2,601.2
Non-securitised mortgage loans	5,069.8	4,171.4
Total mortgage loans	**7,409.6**	**6,772.5**
Total loans and receivables	**12,490.2**	**11,979.8**

In 2008, the movement in the balance sheet value as a result of hedge accounting after amortisation was €54.1 million for ordinary mortgages, €18.0 million for securitised mortgages and €8.6 million for other loans, making a total of €80.7 million. No hedge accounting was applied in 2007.

The maturity analysis of other loans and receivables is as follows:

In millions of euros	2008	2007
Less than one year	3,719.4	3,249.8
More than one year	8,770.7	8,730.0
Total	**12,490.2**	**11,979.8**

5.1.6.17 (17) Securitised mortgages and related assets

In three subsidiaries in the Netherlands and Belgium, Delta Lloyd Levensverzekering, Amstelhuys 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 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, Arena 2007-I BV and DARTS Finance BV ('the securitisation companies

or SPVs'), which were funded primarily through the issue of notes.
All the shares in the securitisation companies are held by independent entities, respectively Stichting Security Trustee Arena 2000-I, 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, Stichting Security Trustee Arena 2007-I 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 2008, Delta Lloyd Group transferred mortgage portfolios to Arena 2007-I BV only.
At 31 December 2008, Delta Lloyd Levensverzekering, Amstelhuys and Delta Lloyd Bank Nederland held notes in the securitisation companies, which are repayable at various dates between 2037 and 2062. The fair value of these notes amounts to € 1,011.8 million (2007: € 502.7 million). The notes were eliminated 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 have entered into interest rate swaps with ABN AMRO Bank to hedge the interest payment flows for the SPVs.
The effect of the swaps is that the securitisation companies convert all or part of the interest flows receivable from customers in respect of the securitised mortgage loans into interest flows, which are designed substantially to match the interest payable to the noteholders.
In all of the above transactions, Delta Lloyd Group and its subsidiaries are not obliged to support any losses that may be suffered by the 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 € 7,445.2 million at 31 December 2008 (2007: € 7,652.0 million). Apart from the administration fees payable to other Group undertakings, described above, there are no other material gains or losses in these companies.

5.1.6.18 (18) Receivables and other financial assets

Receivables and other financial assets at year end

In millions of euros	2008	2007
Amounts owed by contract holders	502.1	1,380.0
Amounts owed by intermediaries	84.7	82.2
Deposits with ceding undertakings	168.4	146.8
Amounts owed by others	510.6	554.9
Other financial assets	772.5	857.1
Total	**2,038.3**	**3,021.0**
Expected to be settled within one year	1,997.7	2,978.4
Expected to be settled in more than one year	40.6	42.6
Total	**2,038.3**	**3,021.0**

Concentrations of credit risk with respect to receivables are limited due to the size and spread of Delta Lloyd Group's trading base. Impairment is recognised when it is expected that the full amount of the receivables cannot be realised.

5.1.6.19 (19) Capitalised acquisition costs and inventory of real estate projects

Capitalised acquisition costs and inventory of real estate projects during the reporting period

In millions of euros	Life	General	Other	Total 2008	Total 2007
Participating insurance contracts	26.8	-	-	26.8	14.7
Non-participating insurance contracts	103.1	80.6	-	183.8	187.2
Investment contracts	21.6	-	-	21.6	6.1
Capitalised acquisition costs	**151.5**	**80.6**	**-**	**232.1**	**207.9**
Inventory of real estate projects	0.3	-	98.5	98.8	83.7
Capitalised acquisitions costs and inventory real estate projects	**151.9**	**80.6**	**98.5**	**330.9**	**291.6**

Inventory real estate projects includes property under construction held for sale in an amount of € 97.2 miljoen (2007: € 82.3 million).

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. The item 'inventory real estate projects' includes assets of € 20.7 million that are expected to be sold within one year following the balance sheet date (2007: € 1.4 million).

Movement in capitalised acquisition costs during the reporting period

In millions of euros	2008	2007
At 1 January	**207.9**	**205.9**
Capitalised acquisition costs	286.4	233.2
Amortisation	-287.6	-246.2
Changes in group	25.4	14.9
Other adjustments	-	0.2
At 31 December	**232.1**	**207.9**

5.1.6.20 (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	2008	2007
The authorised share capital of the company at 31 December was:		
50,000,000 ordinary shares with a face value of € 1,00 each (2007: 5,000,000 at € 9,08 each)	50.0	45.4
15,000,000 convertible preference shares A with a face value of € 1.00 each (2007: 1,500,000 at € 9,08 each).	15.0	13.6
1,700,000 convertible preference shares B with a face value of € 50,00 each (2007: 170,000 at € 453.78 each).	85.0	77.1
	150.0	**136.1**
The issued share capital of the company at 31 December was:		
29,949,531 ordinary shares with a face value of € 1,00 each (2007: 3,300,004 at € 9,08 each).	29.9	29.9
1,542,853 preferent shares B with a face value of € 50.00 (2007: 170,000 shares at € 453.78 each).	77.1	77.1
	107.1	**107.1**
The 9,312,360 issued convertible preference shares A (2007: 1,024,000 at 9,08 each) with a face value of € 1,00 each are reported as convertible loan.	9.3	9.3

Ordinary shares in issue in the Company rank equally. All the ordinary shares in issue carry the same right to receive all dividends and other distributions declared, made or paid by the Company.

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.

5.1.6.21 (21) Revaluation reserves

Revaluation reserves in relation to assets classified as available for sale at 31 December

In millions of euros	
At 1 January 2007	**1,505.4**
Gross fair value gains and losses arising in period	239.5
Transfer of available-for-sale equity relating to DPF contracts to provisions	-13.2
Net fair value gains and losses arising in period	**226.3**
Fair value gains and losses transferred to income on disposal	-519.3
Foreign exchange differences	-1.2
Aggregate tax effect	72.3
Revaluation reserve of assets held for sale	-5.4
At 31 December 2007	**1,278.1**
At 1 January 2008	1,278.1
Revaluation reserve of assets held for sale	5.4
At 1 January 2008	**1,283.5**
Gross fair value gains and losses arising in period	-2,316.2
Transfer of available-for-sale equity relating to DPF contracts to provisions	-8.5
Net fair value gains and losses arising in period	**-2,324.7**
Fair value gains and losses transferred to income on disposal	769.3
Foreign exchange differences	2.8
Disposal of associates	1.1
Aggregate tax effect	121.1
Revaluation reserve of assets held for sale	3.7
At 31 December 2008	**-143.3**

5.1.6.22 (22) Retained earnings

Retained earnings for the year ending 31 December

In millions of euros	2008	2007
At 1 January	**3,353.6**	**2,782.6**
Net result	-160.8	744.9
Dividends	-226.4	-173.9
At 31 December	**2,966.4**	**3,353.6**

Of the shareholders' equity, € 528.5 million is available for distribution (2007: € 534.2 million).

In 2008 a dividend of € 226.4 million was paid.

In accordance with Article 35 of the Articles of Association, it has been decided not to pay out dividend for 2008 (2007: € 226.4 million). In 2007, the distribution amounted to € 67.88 per ordinary share with a face value of € 9.08, and to € 18.02 per preference B share with a face value of € 453.78

5.1.6.23 (23) Insurance provisions

Insurance liabilities at year end

In millions of euros	Life	General	Total 2008
Participating contracts	12,383.7	-	12,383.7
Unit-linked non–participating contracts	9,998.4	-	9,998.4
Other non-participating contracts	9,359.1	-	9,359.1
Outstanding claims provisions	-	1,111.8	1,111.8
Provision for claims handling expenses	-	78.4	78.4
Provision for claims incurred but not reported	-	480.6	480.6
Provision for unearned premiums	-	396.4	396.4
Provision for unexpired risks	-	3.0	3.0
Total	**31,741.2**	**2,070.3**	**33,811.5**

Insurance liabilities at prior year end

In millions of euros	Life	General	Total 2007
Participating contracts	10,953.5	-	10,953.5
Unit-linked non–participating contracts	10,444.0	-	10,444.0
Other non-participating contracts	7,993.8	-	7,993.8
Outstanding claims provisions	-	1,009.9	1,009.9
Provision for claims handling expenses	-	72.4	72.4
Provision for claims incurred but not reported	-	442.5	442.5
Provision for unearned premiums	-	371.4	371.4
Provision for unexpired risks	-	2.2	2.2
Other technical provisions	-	2.4	2.4
Total	**29,391.3**	**1,900.8**	**31,292.1**

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.

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 the majority of 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.

Life insurance business provisions are calculated separately for each life operation of Delta Lloyd Group.

The valuation principles used within Delta Lloyd Group to calculate provisions vary per division. Provisions are most sensitive to assumptions regarding discount rates and mortality rates. For participating contracts, bonuses paid during the year are reflected in claims paid, whilst those allocated as part of the bonus declaration are included in the movements in the life insurance business provision. Provision is also made for unearned premiums, outstanding payments, and other technical provisions. These principles are described in detail below.

In general, Delta Lloyd Group's divisions carry out a deterministic liability adequacy test, using current estimates of future cash flows under insurance contracts (only the time value of options and guarantees is determined stochastically). 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 on the basis of the relevant yield curve. In 2007, the swap curve was applied. The definition of the yield curve has been tightened and set at the maximum of the swap curve and the collateralised corporate AAA curve (= DLG curve). As a result of using the DLG curve, the provision for the Life insurance liabilities is Eur 1.746m below the level applicable when using the swap curve.
The portfolios administered externally and the additional provisions for non-unit-linked liabilities are not calculated using market rates. In total 96.5% (2007: 93.2%) of the non-linked liabilities in the Netherlands are calculated using market rates. This amounts to € 14,489 million out of a total non-linked insurance liability of € 15,014 million in the Netherlands (2007: € 12,742 million out of a total of € 13,671 million).

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.

Transparency around unit-linked insurance

The public debate that started in 2007 on the lack of transparency concerning unit-linked insurance products continued. Criticism mainly concerned the cost and commission 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 *(Autoriteit Financiële Markten / AFM)*, served to prepare the AFM for its regulatory role. A limited number of customers, some acting through the Verliespolis Foundation, informed Delta Lloyd Group that from their perspective the product offered by Delta Lloyd Group no longer meets the transparency requirements that they have formulated.

In 2008, Delta Lloyd reached agreement on the use of standardised charges for unit-linked insurance. Policyholders can receive compensation based on these standardised charges either on the policy's expiry date or at the time the policy is ended early. A supplementary provision was formed in 2008 for part of this compensation. The valuation of the cost of this compensation scheme in the financial statements is based on the detailed arrangements that are currently being assessed by the activist consumer groups. The cost has been set at the present value of the estimated compensation that will be paid on each of the eligible policies on its expiry date. Part of this cost (related to surrender payments) has been recognised in the result. The remainder is within the adequacy margin of the provisions.

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.

To assess claims outstanding, individual claim files and policy terms and conditions are reviewed.
The claim 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 on the basis of 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 2008 and 2007	Mortality tables used in 2008 and 2007
Life	DLG-curve, or 3.0% - 4.0%	GBM 61-65. GBM 71-75. GBM/V 76-80. GBM 80-85. GBM/V 85-90 and GBM/V 90-95
Annuities in deferment and in payment	DLG-curve, 3.0% - 4.0% or policy related rates	GBM/V 76-80. GBM/V 85-90. GBM/V 95-00 Coll 1993/2003 and DIL 98. plus further allowance for future mortality improvement

The provisions for life insurance contracts are primarily calculated using the mortality rates in the tariff bases. Savings products (other than unit-linked) are discounted at market rates based on the current DLG curve.

For group life contracts, with the exception of group contracts surrendered on the closing date and whose mortality bases are not equal to the Coll. 1993 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 most recent mortality rates taking into account historical figures rather than the GBM/V 1990-1995 table.

For contracts with an interest guarantee, a provision has been established for these guarantees. For Delta Lloyd Life and NSF, this provision is determined on a stochastic basis. Provisions for return guarantees issued by other divisions are established using a deterministic approach.

For traditional policies with a profit sharing guarantee, a provision is set up in accordance with the Dutch regulatory requirements.

(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 (DLG curve).

Valuation discount rates for the year ending 31 December

In millions of euros	Valuation discount rates in 2008 and 2007	Mortality tables used in 2008 and 2007
Life	DLG curve or 0% - 4,85%	MR. FR. MK. FK. FK' mortality tables
Annuities in deferment and in payment	DLG-curve or 3,25% - 4,75%	MR. FR mortality tables

In most cases the provisions for life insurance contracts are calculated using the tariff bases.
An additional provision is 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 on a straight-line basis over 10 years. An exemption was requested and obtained from the Banking, Finance and Insurance Commission (*Commissie voor het Bank-, Financie- en Assurantiewezen / CBFA*) on the addition to this provision for the portfolio of the former Swiss Life Belgium.
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 2008 and 2007	Mortality tables used in 2008 and 2007
Life	2,25%, 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	2,25%, 2.75%, 3%, 3.25%, 3.50% or 4.00%	Sterbetafel 49/51. Sterbetafel 1987R. Sterbetafel 1994R. Sterbetafel DAV 2004R or Sterbetafel DAV 2004R Bestand

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 2008, this provision amounted to € 80.8 million (2007: € 78.9 million).
Profit sharing for traditional policies is based on the technical results plus the excess of interest earnings over the base rate. At least 93% of the excess interest earnings and technical results is added to a provision for future allocation to policyholders. This percentage is based on management's assessment of the expected profit distribution, and includes the expected tax amounts. The allocation of this provision is at the discretion of the board. The same procedure is used for investment contracts.

Movements

The following movements have occurred in the life provisions during the year

In millions of euros	2008	2007
At 1 January	**29,391.3**	**28,500.2**
Provisions in respect of new business	2,643.2	2,213.0
Expected change in existing business provisions	-761.3	-239.8
Variance between actual and expected experience	-1,796.2	-1,058.1
Impact of operating assumption changes	49.5	1.5
Impact of economic assumption changes	308.2	-662.4
Other movements recognised as expense	143.0	-2.7
Change in liability recognised as expense	**586.5**	**251.5**
Changes in group	1,800.4	738.8
Other movements not recognised as expense	-37.0	-99.0
Reclassified as liabilities relating to assets held for sale	-	-0.2
At 31 December	**31,741.2**	**29,391.3**

The 'impact of economic assumption changes' is mostly interest-related. This includes the effect of interest rate movements on insurance provisions. The movement in provisions for interest guarantees on unit-linked and separate accounts and the movement in provisions for deferred profit sharing are also included in the economic assumption changes. The provision for deferred profit sharing includes the future profit sharing on deposits with ceding undertakings, which is not yet included in the basic provision. Movements in the value of assets backing unit-linked policies are recognised under expected changes and variance between expected and actual movement. The movement in the provision for the unit-linked portfolio due to changes in the underlying investments are recognised as expected changes and variance between expected and actual movement.

Participating insurance contracts

The following amounts have been included in the income statement in respect of policyholder bonuses during the year

In millions of euros	2008	2007
Bonuses allocated in anticipation of a bonus declaration, included in claims paid	90.2	94.4
Reversionary and similar policyholder bonuses, included in life provisions	37.9	38.1
Total	**128.1**	**132.5**

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.

	Discount rate 2008	Mean term of liabilities in years 2008	Discount rate 2007	Mean term of liabilities 2007
Netherlands and Belgium				
Disability insurance contracts	3,82%	7.31	3,87%	8.26

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 € 2,472.6 million, including acquisitions (2007: € 2,404.0 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 experienced backlogs in notifying claims for closed treatments in 2006 and 2007. Hospitals could not assure that the proper treatment codes were used for the amounts claimed.
Hospital budget overfunding and underfunding are expected to have occurred in 2006 and 2007. In January 2008, the Dutch Healthcare Authority *(Nederlandse Zorgautoriteit)* reached agreement about the model to be used to render annual overfunding and underfunding more transparent at institution level. The model also shows how any overfunding or underfunding is settled via the fixed contributions and settlements. The model was used in the autumn of 2008 for the final settlement of the 2006 overfunding. No information is yet available for 2007 and 2008. It has proven very difficult

for health insurers to estimate the funding differences for 2007 and 2008, and their impact on future years.
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. 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.

	Premium calculation	Outstanding claims provisions
Assumptions		
Individual	KAZO 90 (4%), KAZO 90 (3%), AOV 2000 (3%), Verbond 97 (4%), Verbond 97 (3%), Verbond 99 (3%) WIA 2006 (3%)	KAZO 90 (4%), KAZO 90 (3%), AOV 2000 (3%), Verbond 97 (4%), Verbond 97 (3%), Verbond 99 (3%), Verbond 99 (4%), actuele DLG-curve WIA 2006 (3%)
Group	WAO 93 (4%), WAO 96 (4%), PEMBA 99 (4%), WIA 2006 (3%)	WAO 93 (4%), WAO 93 (3%), actuele DLG-curve, WIA 2006 (3%)

	Premium calculation	Outstanding claims provisions
Assumptions		
Belgium	Levie (3%) Schrijvers (3%) MFRK (4,75%)	Levie (3%) Schrijvers (3%) MFRK (4,75%)

Provision for unexpired risk

A provision for unexpired risk is included for part of the WGA Deductible Risk Bearer portfolio and the medical expenses portfolio. The provision, which relates to items that were recognised in 2008 but continue after 31 December 2008, is based on the difference between the commercial premium and the premium required actuarially.

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 tables.

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). Another method that Delta Lloyd Group uses to establish the IBNR is to retain a percentage of the premium income, which is then amortised on a straight-line basis.

The choice of estimate for each underwriting year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for individual underwriting years or groups of underwriting years within the same class of business.

The exposure of Delta Lloyd Group to claims associated with asbestos-related diseases is material. The provisions have been estimated per case by claims handlers. A provision has also been formed for future asbestos-related claims. Claims development is monitored periodically. 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.

IBNR provisions for disability insurance are based chiefly on a percentage of the risk premium. Provisions for benefits in payment are estimated on models and assumptions that are used industry wide. The benefit provision is the discounted value of expected future cash flows including recovery and mortality probabilities. The recovery probabilities and mortality probabilities have been derived from industry expertise. The discount rates used are either a fixed discount rate or the DLG curve. Upper and lower limits for the surplus set using the boot-strap technique have been applied to test the level of the provision for the Property & Casualty portfolio against Delta Lloyd Group's provisioning policy (confidence level of 85%-99%). As part of the tests of the provisions, there is a quarterly analysis of whether the provisioning policy has been met and action is taken as necessary.

Movements

The following changes occurred in the general insurance and health technical provisions during the year:

General technical provisions

In millions of euros	2008	2007
At 1 January	**1,529.3**	**1,364.6**
Impact of changes in assumptions	-4.4	-2.6
Claim losses and expenses incurred in the current year	904.1	816.4
Movement in anticipated claim losses and expenses incurred in prior years	-118.7	-244.1
Incurred claims losses and expenses	**781.0**	**569.7**
Payments made on claims incurred in the current year	-422.6	-380.4
Payments made on claims incurred in prior years	-329.1	-254.2
Recoveries on claim payments	9.5	9.1
Claims payments made in the year, net of recoveries	**-742.2**	**-625.5**
Other movements in the claims provisions	-33.2	-1.5
Change in claims provision recognised as expense	**5.6**	**-57.3**
Changes in group	139.0	222.5
Other gross movements	-	-0.4
At 31 December	**1,673.9**	**1,529.3**

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 2008. 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 2008 € 1,127.3 million had been paid in settlement of claims (excluding the impact of acquisitions). In addition, as reflected in the lower section of the table, the original estimated ultimate cost of claims of € 1,238.4 million was re-estimated to be € 1,178.3 million at 31 December 2008. 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 fourth year following adoption of IFRS, only eight years are required to be disclosed. This will be increased in each succeeding additional year, until ten years of information is included.

Loss development gross of reinsurance

In millions of euros	All prior years	2001	2002	2003	2004	2005	2006	2007	2008	Total
Gross cumulative claims payments										
At end of accident year		688.4	756.9	789.0	833.0	753.6	1,125.3	1,224.2	1,403.5	

One year later		1,038.2	1,103.0	1,091.5	1,138.7	1,177.2	1,752.7	1,977.1	-	
Two years later		1,073.3	1,134.6	1,116.1	1,177.1	1,227.2	1,815.9	-	-	
Three years later		1,092.4	1,149.1	1,130.2	1,190.8	1,257.8	-	-	-	
Four years later		1,098.3	1,161.9	1,140.5	1,202.1	-	-	-	-	
Five years later		1,110.3	1,171.3	1,150.1	-	-	-	-	-	
Six years later		1,119.6	1,179.4	-	-	-	-	-	-	
Seven years later		1,127.3	-	-	-	-	-	-	-	
Estimate of gross cumulative claims										
At end of accident year		1,238.4	1,333.1	1,360.5	1,493.3	1,533.2	2,191.3	2,397.8	2,556.2	
One year later		1,280.2	1,356.4	1,333.4	1,412.7	1,474.7	2,012.7	2,233.5	-	
Two years later		1,225.3	1,292.4	1,253.6	1,326.5	1,389.0	1,970.7	-	-	
Three years later		1,209.4	1,259.6	1,235.2	1,292.9	1,373.1	-	-	-	
Four years later		1,193.7	1,250.2	1,225.0	1,281.4	-	-	-	-	
Five years later		1,194.9	1,239.2	1,210.1	-	-	-	-	-	
Six years later		1,185.4	1,235.0	-	-	-	-	-	-	
Seven years later		1,178.3	-	-	-	-	-	-	-	
Estimate of cumulative claims		**1,178.3**	**1,235.0**	**1,210.1**	**1,281.4**	**1,373.1**	**1,970.7**	**2,233.5**	**2,556.2**	
Cumulative payments		**1,127.3**	**1,179.4**	**1,150.1**	**1,202.1**	**1,257.8**	**1,815.9**	**1,977.1**	**1,403.5**	
Total	254.7	51.0	55.5	60.0	79.3	115.3	154.7	256.3	1,152.7	2,179.6
Effect of discounting	18.7	5.3	5.3	5.6	2.5	3.7	6.2	8.9	12.2	68.5
Current value	**236.0**	**45.7**	**50.2**	**54.3**	**76.8**	**111.6**	**148.5**	**247.4**	**1,140.6**	**2,111.2**
Effect of acquisitions										
Reserves at aquisition date		40.2	108.1	37.7	405.6	53.4	47.0	15.5		721.8
Cumulative payments since aquisition		22.7	19.6	12.2	313.1	19.3	15.0-	-		371.7
Reserves at balance sheet date		17.5	14.6	88.5	21.3	32.7	34.1	61.9	22.3	292.9
Value recognised in balance sheet		**63.2**	**64.8**	**142.8**	**98.2**	**144.2**	**182.6**	**309.4**	**1,162.9**	**2,404.1**
General technical provisions										1,673.9

Liabilities relating to assets held for sale		-	-	-	-	-	-	-	-	733.2
Provision for unexpired risks		-	-	-	-	-	-	-	-	-3.0
Value recognised in balance sheet										**2,404.1**

The loss development table after the effect of reinsurance is shown below:

Loss development net of reinsurance

In millions of euros	All prior years	2001	2002	2003	2004	2005	2006	2007	2008	Total
Gross cumulative claims payments										
At end of accident year		683.8	752.0	778.4	823.2	743.0	1,112.7	1,216.9	1,386.7	
One year later		1,027.9	1,091.0	1,076.1	1,129.9	1,157.8	1,734.6	1,959.0	-	
Two years later		1,062.0	1,120.5	1,099.7	1,160.9	1,206.2	1,794.1	-	-	
Three years later		1,080.6	1,135.9	1,110.9	1,173.1	1,227.3	-	-	-	
Four years later		1,088.4	1,144.9	1,119.7	1,175.5	-	-	-	-	
Five years later		1,095.4	1,150.0	1,121.5	-	-	-	-	-	
Six years later		1,102.2	1,147.5	-	-	-	-	-	-	
Seven years later		1,097.7	-	-	-	-	-	-	-	
Estimate of gross cumulative claims										
At end of accident year		1,222.8	1,311.1	1,327.1	1,454.2	1,497.6	2,149.0	2,344.7	2,498.4	
One year later		1,260.3	1,327.5	1,304.1	1,387.9	1,438.6	1,963.3	2,194.5	-	
Two years later		1,205.2	1,261.6	1,228.8	1,303.6	1,352.3	1,919.8	-	-	
Three years later		1,190.3	1,236.2	1,207.6	1,264.4	1,326.1	-	-	-	
Four years later		1,174.0	1,222.5	1,201.1	1,243.8	-	-	-	-	
Five years later		1,169.0	1,211.5	1,175.5	-	-	-	-	-	
Six years later		1,163.1	1,196.7	-	-	-	-	-	-	
Seven years later		1,144.9	-	-	-	-	-	-	-	
Estimate of cumulative claims		**1,144.9**	**1,196.7**	**1,175.5**	**1,243.8**	**1,326.1**	**1,919.8**	**2,194.5**	**2,498.4**	

Cumulative payments		**1,097.7**	**1,147.5**	**1,121.5**	**1,175.5**	**1,227.3**	**1,794.1**	**1,959.0**	**1,386.7**	
Total	219.7	47.1	49.2	54.0	68.3	98.8	125.7	235.6	1,111.7	2,010.1
Effect of discounting	17.6	5.3	5.3	5.6	2.5	3.7	5.9	8.5	11.6	66.0
Current value	**202.1**	**41.8**	**43.8**	**48.4**	**65.8**	**95.1**	**119.8**	**227.1**	**1,100.1**	**1,944.1**
Effect of acquisitions										
Reserves at aquisition date	-	30.1	11.9	76.8	32.6	396.9	45.0	33.6	15.5	642.4
Cumulative payments since aquisition	-	-	-	23.4	7.2	315.0	20.4	3.8	-	369.8
Reserves at balance sheet date	-	14.1	12.4	56.5	18.0	25.1	25.3	53.1	25.5	230.0
Value recognised in balance sheet	**202.1**	**56.0**	**56.2**	**104.9**	**83.8**	**120.2**	**145.1**	**280.3**	**1,125.6**	**2,174.1**
General technical provisions										1,443.9
Liabilities relating to assets held for sale		-	-	-	-	-	-	-	-	733.2
Provision for unexpired risks		-	-	-	-	-	-	-	-	-3.0
General technical provisions										**2,174.1**

A prudent provisioning policy regarding cumulative claims (anticipated claims payments) will lead to a downward adjustment to the cost of claims in the future. The table shows that this adjustment applies to all accident years. A substantial portion of the payments is recorded during the second financial year. It appears from the movements in cumulative claims payments presented above that at least 85% of overall claims have been paid after two financial years.

The tables above include information on asbestos and environmental pollution (A&E) claims provisions from business written before 2001. The uncertainty inherent in A&E claims provisions is largely due to the extremely long latency period, uncertainties in the cover and claims costs, limited availability of data and uncertainty in the completeness/accuracy of the data. The A&E cumulative payments and claim reserves are shown separately in the following table.

Asbestos and environmental pollution loss development table - gross of reinsurance

In millions of euros	Cumulative payments	Claims reserves	Estimate of cumulative claims
31 December 2001	11.9	26.7	38.6
31 December 2002	10.1	30.8	40.9
31 December 2003	10.0	32.5	42.5
31 December 2004	9.6	45.0	54.6
31 December 2005	10.7	49.6	60.3
31 December 2006	16.1	57.8	74.0
31 December 2007	20.3	53.2	73.5
31 December 2008	21.1	56.8	77.9

Asbestos and environmental pollution loss development table - net of reinsurance

In millions of euros	Cumulative payments	Claims reserves	Estimate of cumulative claims
31 December 2001	11.9	26.7	38.6
31 December 2002	10.1	30.8	40.9
31 December 2003	10.0	32.5	42.5
31 December 2004	9.6	45.0	54.6
31 December 2005	10.7	49.6	60.3
31 December 2006	16.1	57.8	74.0
31 December 2007	20.3	53.0	73.3
31 December 2008	21.1	56.8	77.9

Provision for unearned premiums

Movements

The following movements in the unearned premiums provision occurred during the year:

The following movements in the unearned premiums provision occurred during the reporting period:

In millions of euros	2008	2007
At 1 January	**371.4**	**323.2**
Premiums written during the year	1,359.6	2,623.1
Premiums earned during the year	-1,382.3	-2,625.5
Other movements in unearned premiums provision	-	-19.0
Movements in unearned premiums provision recognised as an expense	**-22.7**	**-21.4**
Changes in group	15.7	61.0
Other adjustments	32.0	8.7
At 31 December	**396.4**	**371.4**

5.1.6.24 (24) Reinsurance assets

Carrying value

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 business, it relates to risk reinsurance (primarily excess of loss).

Reinsured provisions

In millions of euros	2008	2007
Life	481.8	1,065.8
General	240.3	216.6
Total	**722.0**	**1,282.4**

In Germany, a reinsurance contract has ended and as a result, the total reinsurance provision has decreased by approximately € 575 million. This has no impact on results and equity. 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 2008	Reinsurance assets 2008	Net 2008	Gross insurance provisions 2007	Reinsurance assets 2007	Net 2007
Discretionary participating	6,609.8	4.6	6,605.2	4,999.3	551.3	4,448.0
Non-discretionary participating	5,773.9	404.3	5,369.6	5,781.3	420.9	5,360.3
Unit-linked non-participating	9,998.4	26.5	9,971.9	10,432.0	44.5	10,387.5
Other non-participating	9,359.1	46.4	9,312.8	7,993.8	49.1	7,944.8
Unallocated divisible surplus	-	-	-	184.9	-	184.9
Life provisions	**31,741.2**	**481.8**	**31,259.4**	**29,391.3**	**1,065.8**	**28,325.5**
Discretionary participating policies	2,548.9	-	2,548.9	1,594.4	-	1,594.4
Non-participating policies	588.1	-	588.1	553.4	-	553.4
Unit-linked policies	189.7	-	189.7	61.9	-	61.9
Investment contracts	**3,326.7**	**-**	**3,326.7**	**2,209.7**	**-**	**2,209.7**
Outstanding claims provisions	1,111.8	181.8	930.0	1,009.9	154.7	855.2
Provision for claims incurred but not reported	480.6	42.2	438.4	442.5	34.3	408.2
AB provision	-	-	-	-	-	-
Provision for unearned premiums	396.4	9.4	387.0	371.4	22.2	349.3
Additional provision for unexpired risk	3.0	-	3.0	2.2	-	2.2
Other technical provisions	-	1.3	-1.3	2.4	-	2.4
Provision for claims handling expenses	78.4	5.5	72.9	72.4	5.4	67.0
General provisions	**2,070.3**	**240.3**	**1,830.0**	**1,900.8**	**216.6**	**1,684.2**
Total	**37,138.3**	**722.0**	**36,416.3**	**33,501.8**	**1,282.4**	**32,219.4**

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.

Movements

The following movements occurred in reinsurance assets during the year:

(i) Life insurance

Movements in receivables from reinsurers during the year

In millions of euros	2008	2007
At 1 January	**1,065.8**	**1,209.7**
Assets in respect of new business	2.6	7.6
Expected movement in existing business assets	-1.6	-22.2
Variance between actual and expected experience	-591.5	-130.1
Impact of operating assumption changes	0.1	0.2
Other adjustments	-0.0	0.2
Change in asset recognised as income	**-590.4**	**-144.3**
Changes in group	9.9	0.2
Other adjustments	-3.6	0.2
At 31 December	**481.8**	**1,065.8**

(ii) General insurance

Movements in receivables from reinsurers during the year

In millions of euros	2008	2007
At 1 January	**194.4**	**132.1**
Impact of changes in assumptions	-0.5	0.5
Reinsurers' share of claim losses and expenses incurred in current year	52.4	51.2
Reinsurers' share of claim losses and expenses incurred in prior years	-0.4	8.4
Reinsurers' share of incurred claim losses and expenses	**51.6**	**60.1**
Reinsurance recoveries received on claims incurred in current year	-13.1	-7.9
Reinsurance recoveries received on claims incurred in prior years	-26.9	-33.9
Reinsurance recoveries received in the year	**-40.0**	**-41.9**
Change in reinsurance asset recognised as income	**11.6**	**18.2**
Changes in group	24.8	44.1
At 31 December	**230.8**	**194.4**

(iii) Reinsurers' share of the unearned provision

The following movements have occurred in the provision for unearned premiums during the year

In millions of euros	2008	2007
At 1 January	**22.2**	**14.4**
Premiums ceded to reinsurers in the year	109.2	114.9
Reinsurers' share of premiums earned during the year	-122.4	-111.0
Other movements in reinsuresers' share of unearned premiums provision	0.5	3.8
Change in unearned premiums provision assets recognised as income	**-12.7**	**7.7**
At 31 December	**9.4**	**22.2**

5.1.6.25 (25) Liability for investment contracts

Carrying value

Investment contract liabilities at year end

In millions of euros	2008	2007
Discretionary participating policies	2,548.9	1,594.4
Non-participating policies	588.1	553.4
Unit-linked policies	189.7	61.9
Total investment contracts	**3,326.7**	**2,209.7**

Most of the change in value of ‘discretionary participating policies’ and ‘unit-linked policies’ was brought about by the acquisition of Swiss Life Belgium.

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.

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 carrying value of contract liabilities measured at amortised cost is not materially different from the fair value. In view of their discretionary nature, the fair value of investment contracts with 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 during the year

Investment contract liabilities at year end

In millions of euros	2008	2007
At 1 January	**2,209.7**	**2,721.1**
Provisions in respect of new business	200.8	441.6
Expected change in existing business provisions	37.0	-97.6
Variance between actual and expected experience	-169.4	-240.5
Impact of changes in assumptions	77.7	-55.0
Change in liability	**146.1**	**48.5**
Changes in group	970.9	-
Reclassified as liabilities relating to assets held for sale	-	-559.9
At 31 December	**3,326.7**	**2,209.7**

5.1.6.26 (26) Effect of changes in assumptions and estimates on provisions for insurance and investment contracts

The technical provision for life and general insurance contracts is determined on the basis of prevailing accounting policies and assumptions. Changes in the accounting policies and assumptions will directly affect the technical provision and have an indirect impact on the result.
The following accounting policies and assumptions used in determining the technical provisions for insurance and investment contract business were changed during 2008, and had the following effect on the result for the year:

In millions of euros	Effect on result 2008	Effect on result 2007
Assumptions		
Life		
Insurance contracts		
Interest rate *	-266.1	656.8
Expenses	-40.2	2.9
Mortality for annuity contracts	-5.5	-0.3
Other	-132.4	1.5
Investment contracts - participating		
Interest rate	-77.5	48.5
Expenses	-44.5	2.2
Persistency rates	3.4	-
Other	40.9	4.3
General		
Insurance contracts		
Change in discount rate assumptions	-1.2	1.5
Change in expenses ratio assumptions	0.6	1.0
Total	**-522.7**	**718.4**

* including effect of switch to DLG curve

Note 23 ‘Insurance provisions’ addresses the effect of economic assumption changes on insurance provisions. This differs from the effect of interest rate changes. The interest rate related impact on the result involves the consequences of movements in market interest rates during the year.
The above effects, and the impact of interest rate changes in particular, are partly offset by movements in the investment portfolio as a result of changes in market interest rates. The result will primarily be affected by differences in volumes and maturities.
The € 132.4 million loss on ‘other' insurance contracts related mainly to inclusion of part of the costs of the compensation scheme for insurance contracts. This is part of the overall cost where the full cost did not lead to an increase in the technical provision.

5.1.6.27 (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	2008	2007
Insurance liabilities	55.7	98.6
Investments	-643.9	-346.2
Equalisation reserve	-12.0	-10.0
Unused tax losses	408.4	56.5
Intangible fixed assets	-24.6	-47.3
Pension plans	27.6	43.9
Other	33.4	-11.1
Total deferred tax	**-155.4**	**-215.6**

The total amount of tax assets and liabilities is expected to be recoverable or payable. The German tax rate changed in 2008. or paid. This was taken into account in determining deferred tax assets and liabilities at year-end 2007.

Movement in deferred tax assets

In millions of euros	2008	2007
At 1 January	**11.7**	**11.9**
Charged to income statement	17.2	-0.9
Movement to deferred tax liabilities	-3.9	-
Movement in revaluation reserve	-0.7	0.7
At 31 December	**24.3**	**11.7**

The Group has recognised tax losses of €1,513.7 million (2007: €177.2 million). Tax loss carry forwards are recognised to the extent that realisation of the related tax benefit through future taxable profits is probable.

The Group has unrecognised tax losses of €281.4 million (2007: €152.4 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 are netted off. The same approach is used for the Delta Lloyd ABN AMRO Verzekeringen Holding BV corporate income tax entity.

Movement in deferred tax liabilities

In millions of euros	2008	2007
At 1 January	**227.4**	**113.2**
Changes in group	7.4	6.3
Charged to income statement	72.4	160.8
Movement in revaluation reserve	-121.9	-73.0
Movement from deferred tax liabilities	-3.9	-
Reclassified as assets held for sale	-	17.1
Other adjustments	-1.8	3.0
At 31 December	**179.6**	**227.4**

5.1.6.28 (28) Pension obligations and other provisions

Provisions for other liabilities at 31 December

In millions of euros	2008	2007
Pension obligations	**1,572.0**	**1,499.9**
Restructuring provisions	76.8	44.7
Other provisions	57.5	70.6
Reclassified as liabilities relating to assets held for sale	-	-7.6
Total other provisions	**134.3**	**107.7**
Total	**1,706.3**	**1,607.6**

Movements in provisions for other liabilities during the reporting period

In millions of euros	Pension obligations	Restructuring provisions	Other provisions	Total
At 1 January 2007	**1,498.8**	**45.8**	**61.9**	**1,606.5**
Changes in group	37.9	0.2	1.1	39.2
Employee contributions	6.4	-	-	6.4
Additional provision made in the year	-	6.3	41.1	47.4
Unused amounts released	-	-1.4	-7.8	-9.2
Withdrawal from provision during the year	10.5	-6.4	-25.3	-21.2
Interest cost post-retirement benefits	65.9	-	-	65.9
Current service cost of post-retirement benefits	42.2	-	-	42.2
Benefits paid	-53.6	-	-	-53.6
Actuarial gains and losses	-80.0	-	-	-80.0
Other adjustments	-28.1	-	-0.4	-28.5
Reclassified as liabilities relating to assets held for sale	-	-	-7.6	-7.6
At 31 December 2007	**1,499.9**	**44.7**	**63.0**	**1,607.6**
Changes in group	55.5	-0.1	3.7	59.2
Employee contributions	8.6	-	-	8.6
Additional provision made in the year	-	47.0	54.5	101.5
Unused amounts released	-	-0.2	-27.5	-27.6
Withdrawal from provision during the year	3.3	-14.7	-36.2	-47.6
Interest cost post-retirement benefits	79.5	-	-	79.5
Current service cost of post-retirement benefits	35.3	-	-	35.3
Past service cost of vested benefits	-0.9	-	-	-0.9
Benefits paid	-58.2	-	-	-58.2
Actuarial gains and losses	-35.2	-	-	-35.2
Curtailments and settlements	-1.7	-	-	-1.7
Other adjustments	-14.1	-	-0.0	-14.1
At 31 December 2008	**1,572.0**	**76.8**	**57.5**	**1,706.3**

Pension obligations have been restated in line with the change in accounting policy explained in 5.1.1. The reorganisation provision includes € 29.2 million for 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. In addition, Delta Lloyd Germany has formed provisions of € 11.2 million for the reorganisation of the sales channel and € 10.0 million for the reorganisation of the back office. Finally, Delta Lloyd Insurance has formed a provision of € 13.9 million relating to the reorganisation of NOWM Verzekeringen NV, Eurolloyd Verzekeringen and the reorganisation of the sales channel. Other reorganisation provisions include minor restructuring programmes at Delta Lloyd Bank Belgium and OHRA Insurance.

Other provisions comprise of many small provisions throughout Delta Lloyd Group for other obligations such as claims (€ 18.9 million), banking (€ 9.2 million) and staff entitlements (€ 8.9 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 € 116.2 million is expected to be paid in the coming financial year. Of this amount approximately € 44.3 million relates to expected payments on pension benefits.

5.1.6.29 (29) Pension obligations

Introduction

Delta Lloyd Group has a number of pension plans in the countries in which it operates, whose members receive benefits on a defined benefit basis. The main defined benefit plan is in the Netherlands, and other plans exist in Belgium and Germany. In the Netherlands, the main plan is held in a separate foundation which has reinsured its pension obligations with Delta Lloyd Levensverzekering NV, a subsidiary.
Total pension costs for the plans have been calculated under IAS 19. The figures for the Dutch plan include arrangements to meet other post-retirement obligations to staff. Delta Lloyd Group also operates a variety of smaller pension plans both in the Netherlands and in other countries.
There were no significant contributions outstanding or prepaid during the past two years.

Details of the significant defined benefit plans

The valuation used for accounting under IAS 19 has been based on the most recent actuarial valuations, updated to take account of that standard's requirements in order to assess the liabilities of the material plans at 31 December 2008 The updating was made by actuaries in each country, either by the actuarial departments of the divisions or by external consultants. Plan assets are stated at their market values at 31 December 2008.

The most important features of the current plan, which was changed from 1 January 2006, are summarised below.

- The main pension plan in the Netherlands is based on average pay, with a retirement age of 65 years. Pension contributions are determined at 1 January of each year and are based on the hourly salary of the employee (including holiday allowance and year-end bonus), multiplied by the number of contract hours. The pension rights are 2.15% per service year of the employee's pension base.
- The actuarial rate used to determine the pension contribution by Delta Lloyd has been set at 3%.
- 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 caused 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 (via the employer).
- 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, subject to the actuarial interest rate of 3% per annum.

Delta Lloyd Group 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 Group. A surplus is understood to exist when 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. This potential refund is increased by an adjustment for interest at a rate of 3% per annum which is payable as of the date on which the additional contribution is made.
As a result of the agreements made on changes to the pension plan with effect from 1 January 2011, any surplus (based on IAS 19 policies) will accrue to members. For this reason, the pension obligations ensuing from committed pension rights will be increased to the net balance of the investments if there is a surplus. The surplus (based on IAS 19 policies) accrues to members after a possible one-off refund to the employer. This premium refund to the employer would take place if the fair market value cover ratio of the pension fund is greater than 100%. Any one-off premium refund will be equal to 50% of the surplus over and above the fair market value cover ratio of 100%. The pension and post-retirement obligations of Delta Lloyd Group are therefore equal to the pension plan assets 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 € 318.9 million.
The details for the material defined benefit plans are shown below. Where plans provide both defined benefit and defined contribution pensions, the assets and liabilities shown only relate to defined benefit pensions. The mortality table used for the Netherlands pension plan is the generation table CR8B (from 1 January 2008; 2007: the Coll 2003 table).

The main financial assumptions used to calculate defined benefit obligations under IAS 19 are:

In percentages	Netherlands 2008	Netherlands 2007	Other countries 2008	Other countries 2007
Data of most recent actuarial valuation				
Inflation rate	2,00%	2,00%	2,00%	2,00%
General salary increases	3,00%+merit	3,00%+merit	2,00%-4,00%	2,00%-4,00%
Pension increases	2,00%/1,30% (vanaf 2011)	2,00%	1,00%-2,00%	1,00%-2,00%
Deferred pension increases	2,00%/1,30% (vanaf 2011)	2,00%	0,00%	0,00%
Discount rate	5,70%	5,50%	4,75%-6,25%	4,75%-5,25%

Pension increases and deferred pension increases in the Netherlands for periods after 31 December 2010 amount to 1.3%.

The expected rates of return on the plan assets are:

In percentages	Netherlands 2008	Netherlands 2007	Other countries 2008	Other countries 2007
Equity securities	6,00%	7,20%	7,25%	8,30%
Bonds	3,80%	4,60%	5,75%	5,10%
Property	5,70%	5,90%	6,25%	6,40%
Other	3,80%	4,60%	4,75%	4,75%

The overall rates of return are based on the expected returns within each asset class 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 Market-Consistent Embedded Value (MCEV) calculations elsewhere in this report.

The pension expenses for these plans comprises:

In millions of euros	2008	2007
Current service costs	45.2	42.9
Interest charge on pension obligations	82.5	68.1
Amortisation of past service cost	0.3	-0.9
Actuarial gains and losses	-35.2	-80.0
Curtailment and special termination benefits	0.9	-
Result change accounting policy	-	-7.9
Minus amortisation pension obligation	-14.1	-
Minus expected return on reimbursement rights	-4.5	-4.2
Total charge to income	**75.1**	**18.0**

The employees' contribution to the pension expenses amounts to € 8.6 million (2007: € 6.4 million).

Pension expenses are expected to be € 48.0 million in 2009, including the expected return on reimbursement rights.

The defined benefit obligation recognised in the balance sheet can be reconciled to the actual defined benefit obligation as follows:

In millions of euros	2008	2007 after changes in accounting policies	2007 before changes in accounting policies
Actual defined benefit obligation	1,609.5	1,500.1	1,500.1
Plan assets	-62.1	-69.6	-69.6
Reimbursement rights	-1,471.9	-1,396.3	1,396.3
Asset ceiling	0.5	28.9	28.9
Adjustment for funding agreement	-	14.0	-
Unrecognised actuarial results	-	-	-26.1
Unrecognised past service costs	9.3	10.2	10.2
Other post-retirement benefits	13.1	11.6	
Elimination of plan assets	1,471.9	1,396.3	-1,396.3
Total pension obligations	**1,570.3**	**1,495.2**	**1,443.4**
Recognised pension asset	1.7	4.7	4.7
Recognised pension obligation	1,572.0	1,499.9	1,448.1
Total pension obligations	**1,570.3**	**1,495.2**	**1,443.4**

Defined benefit obligations for an amount of € 66.0 million relate to plans that are wholly unfunded (2007: € 52.7 million).
Past service income not yet recognised amounts to € 9.3 million (2007: € 10.2 million). This amount is capitalised and will be recognised in the income statement over a period of 13 years, starting in 2006.

In millions of euros	2008	2007	2006	2005	2004
Fair value of plan assets and reimbursement rights at the end of the year	1,534.0	1,465.8	1,450.6	1,271.4	1,120.9
Present value of defined benefit obligations at the end of the year	1,575.9	1,500.1	1,493.6	1,358.6	1,274.0
Net pension deficit	**-41.9**	**-34.3**	**-43.0**	**-87.2**	**-153.1**

The amounts recognised under actuarial gains and losses that are caused by experience adjustments on the pension obligations amount to a loss of € 24.0 million (2007: a loss of € 81.0 million).

Plan assets attributable to defined benefit members at year end

In millions of euros	Netherlands 2008	Other countries 2008	Total 2008	Netherlands 2007	Other countries 2007	Total 2007
Equity securities	266.7	16.3	283.0	416.0	35.3	451.3
Bonds	880.5	26.8	907.3	757.0	19.2	776.2
Property	79.1	1.6	80.7	70.9	5.4	76.3
Other	230.9	32.2	263.1	155.8	6.2	162.0
Total fair value of assets	**1,457.2**	**76.8**	**1,534.0**	**1,399.7**	**66.1**	**1,465.8**

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 2008 amounted to € 10.2 million (2007: € -30.8 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 2008 financial year are € -9.6 million (2007: € 2.3 million). This amount is included in other operating expenses in the income statement.

5.1.6.30 (30) Borrowing

Contract maturity date 2008

In millions of euros	Less than one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	More than five years	Total 2008
Subordinated debt	-	-	-	-	-	400.5	400.5
Amounts owed to credit institutions	1,614.0	1.6	1.6	1.6	1.6	5.6	1,625.9
Securitised mortgage loan notes	-	-	-	-	-	6,407.4	6,407.4
Convertible loan	-	-	-	-	-	9.3	9.3
Other	-	11.4	26.5	8.3	14.6	36.3	97.1
Total borrowings	**1,614.0**	**12.9**	**28.1**	**9.9**	**16.2**	**6,859.1**	**8,540.2**
Contractual future interest payments	459.5	459.5	459.0	457.7	457.2	18,137.0	20,429.9
Total	**2,073.5**	**472.5**	**487.1**	**467.6**	**473.4**	**24,996.0**	**28,970.1**

Contract maturity date 2007

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 2007
Subordinated debt	-	-	-	-	-	412.2	412.2
Amounts owed to credit institutions	898.3	2.7	1.6	1.6	1.6	11.0	916.7
Securitised mortgage loan notes	-	-	-	-	-	7,652.1	7,652.1
Convertible loan	-	-	-	-	-	9.3	9.3
Other	350.3	23.4	37.8	3.9	9.8	56.7	481.9
Total borrowings	**1,248.6**	**26.1**	**39.4**	**5.5**	**11.4**	**8,141.2**	**9,472.2**
Contractual future interest payments	457.0	437.4	435.5	435.3	434.9	17,953.2	20,153.4
Total	**1,705.6**	**463.6**	**474.9**	**440.9**	**446.2**	**26,094.4**	**29,625.6**

The figures on securitised mortgage loan notes in the above table are presented differently from in the 2007 annual report. The restatement was brought about by IFRS 7.

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	542.2	10/2062	10/2010	EBed, range 6.1% - 10.5%	532.6
Arena 2002-I	445.9	06/2054	06/2009	EBed, range 5.3% - 6.1%	442.2
Arena 2003-I	306.4	05/2055	05/2011	EBed, range 4.3% - 5.2%	285.4
Total	**1,294.5**				**1,260.3**

Portfolio: Amstelhuys

In millions of euros (unless indicated otherwise)	Fair value	Contract maturity date	Anticipated maturity date	Interest rate
Arena 2004-I	416.7	02/2037	02/2012	partly floating (3,6% - 4,6%) and Ebed 4,3%
Arena 2004-II	507.3	10/2051	10/2012	floating, range 3,8% - 4,7%
Arena 2005-I	842.4	02/2063	02/2011	floating, range 3,6% - 4,6%
Arena 2006-I	762.4	12/2064	03/2013	floating, range 3,7% - 4,9%
Arena 2007-I	300.4	10/2049	10/2014	floating 4,8%
DARTS 2004-I	393.9	10/2066	10/2014	floating, range 3,7% - 4,7%
DARTS 2005-I	910.8	11/2064	11/2014	floating, range 3,6% - 4,6%
Total	**4,133.8**			

Portfolio: Delta Lloyd Bank Belgium

In millions of euros (unless indicated otherwise)	Amortised cost	Contract maturity date	Anticipated maturity date	Interest rate	Fair value
Arena B	979.0	04/2044	10/2011	floating, range 3.5% - 4,7%	874.7
Total	**979.0**				**874.7**

No changes in fair value of the securitised mortgage loans occurred due to changes in credit ratings 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 2008 amounted to € 4,539.4 million (2007: € 4,950.6 million).

Description and features of the loans at year end

In millions of euros	2008	2007
Subordinated debt		
Fonds NutsOhra perpetual loan	172.4	172.4
Fonds NutsOhra	21.7	21.7
ABN AMRO Bank	-	12.4
Aviva plc	206.4	205.6
	400.5	**412.1**
Securitised mortgage loans		
Delta Lloyd Levensverzekering	1,294.5	1,825.5
Amstelhuys	4,133.8	4,827.3
Delta Lloyd Bank Belgium	979.0	999.2
	6,407.3	**7,652.0**
Amounts owed to credit institutions	1,625.9	916.7
Convertible loan	9.3	9.3
Other	97.1	482.1
Total	**8,540.2**	**9,472.2**

Fonds NutsOhra

The 2.5% perpetual subordinated loan notes were issued to finance the acquisition of NutsOhra 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 € 272.2 million (2007: € 185.7 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 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 2008 is € 22.0 million (2007: € 16.7 million).

ABN AMRO Bank

The subordinated loan from ABN AMRO Bank was repaid in 2008.

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 €253.0 million (2007: 196.6 million).

The fair value of the long-term loans is based on the interest rates on long-term government bonds. The warrant included in the loan from Aviva plc and Fonds NutsOhra 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 Fonds NutsOhra ranks lower than other subordinated loans.

Movements in borrowings during the year

In millions of euros	2008	2007
At 1 January	**9,472.2**	**9,074.4**
New borrowings drawn down, net of expenses	505.7	1,788.2
Repayments of borrowings	-902.1	-1,293.0
Net cash inflow / outflow	**-396.4**	**495.3**
Revaluation	-532.4	-84.1
Other adjustments	-3.3	3.3
Reclassified as assets held for sale	-	-16.6
At 31 December	**8,540.2**	**9,472.2**

5.1.6.31 (31) Payables and other financial liabilities

Financial liabilities at 31 December

In millions of euros	2008	2007
Savings	2,722.1	2,064.7
Demand deposits	1,029.1	1,007.5
Deposits	2,537.4	1,504.3
Total overdrafts	**6,288.6**	**4,576.5**
Third-party interests in investment funds	611.2	1,514.7
Other financial liabilities	263.2	262.6
Financial liabilities	**7,163.0**	**6,353.9**
Expected to be settled within one year	5,876.1	4,815.4
Expected to be settled in more than one year	1,287.0	1,538.5
Total	**7,163.0**	**6,353.9**

5.1.6.32 (32) Other liabilities

Other liabilities at 31 December

In millions of euros	2008	2007
Payables arising out of direct insurance	526.1	884.8
Payables arising out of reinsurance	84.7	91.9
Deposits received from reinsurers	415.6	1,036.3
Accruals and deferred income	462.7	345.2
Short-term creditors	1,815.4	1,833.1
Total	**3,304.5**	**4,191.3**

In millions of euros	2008	2007
Expected to be settled within one year	3,181.7	3,480.7
Expected to be settled in more than one year	122.8	710.6
Total	**3,304.5**	**4,191.3**

5.1.6.33 (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 additional costs arising are not likely to have a material impact on the financial position of Delta Lloyd Group.

Guarantees on life savings products

Note 35 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 years 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.

5.1.6.34 (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	2008	2007
Intangible assets	4.3	10.6
Investment property	-	47.7
Repairs and maintenance	1.5	0.1
Investments	51.6	117.4
Property under construction	20.6	45.5
Contingent liabilities	724.5	1,241.8
Rental commitments < 1 year	9.9	11.2
Rental commitments 1 year < 5 years	32.0	30.9
Rental commitments > 5 years	13.1	18.0
Total	**857.5**	**1,523.0**

There are no subleases to third parties.

Contingent liabilities includes irrevocable facilities in an amount of € 529.3 million (2007: € 777.6 million).

Delta Lloyd Group will take over IT infrastructure services from IBM on 1 July 2009.

Delta Lloyd NV has committed to provide Delta Lloyd Lebensversicherung with € 48,0 million in additional capital before end-March 2009. In addition, it has issued a capital maintenance guarantee for 2010, should Delta Lloyd Lebensversicherung's capital position deteriorate due to profit sharing.

Operating lease commitments

Future aggregate minimum lease payments under non-cancellable operating leases (including rental commitments) were as follows:

In millions of euros	2008	2007
Within one year	12.9	12.9
Between one and five years	64.7	42.3
More than five years	0.2	0.5
Total operating lease commitments	**77.8**	**55.7**

5.1.6.35 (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.

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 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 Group makes use of multi-year stochastic risk models for both life and general insurance operations. These models enable Delta Lloyd Group to test and assess its long-term risk policy.
It is expected that the future regulatory risk measurement 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 Committee
- Operational Risk Committee

The FRC advises the GRC on financial risks. A number of proposals to limit sensitivity to market risk were put forward in 2008. Structural policies were proposed during 2008 to measure, manage and monitor equity, credit, property and interest rate risk. This has led to a range of measures and policies. In 2009, this work will be extended and the subject of risk budgeting will be developed.

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 in 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 not expected to be fully operational before 2012. 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. In 2009, Delta Lloyd Group will take further steps to implement Solvency II.

Management of insurance and financial 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 (ICA) to quantify the order of magnitude of the insurance risks in the insurance portfolio. This assessment is performed on a quarterly 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.

Risks arising under 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. Delta Lloyd Group manages the longevity 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. Investigation provided no solid proof for a strong correlation between lapse rates and the level of the market interest rate.
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.

Transparency around unit-linked insurance

The public debate that started in 2007 on the lack of transparency concerning unit-linked insurance products continued. Criticism mainly concerned the cost and commission 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, served to prepare the AFM for its regulatory role. A limited number of customers, some acting through the Verliespolis Foundation, informed Delta Lloyd Group that from their perspective the product offered by Delta Lloyd Group no longer meets the transparency requirements that they have formulated.

In 2008, Delta Lloyd reached agreement on the use of standardised charges for unit-linked insurance. Policyholders can receive compensation based on these standardised charges either on the policy's expiry date or at the time the policy is ended early.

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.

Unit-linked products whereby policyholder funds are partly invested in fixed interest instruments and equities at the discretion of the policyholder are exposed to risk. 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 investment 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. Furthermore, Delta Lloyd Group allows for developments in society when determining its assumptions as to the adequacy of insurance liabilities. These are described in more detail in note 23.

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, for instance 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% (e.g., 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%

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 2008	Impact on equity before tax 2008	Impact on result before tax 2007	Impact on equity before tax 2007
Risk factor					
Interest rate	+1%	-120.6	-122.1	-9.8	-10.4
Interest rate	-1%	35.2	41.4	-42.3	-41.7
Equity securities / property	+10%	59.6	67.4	12.3	13.3
Equity securities / property	-10%	-55.5	-63.2	-12.3	-13.3
Expenses	+10%	-18.3	-18.3	-1.3	-1.3
Insurance mortality/morbidity	+5%	-4.0	-4.0	-0.2	-0.2

Non-participating insurance contracts

In millions of euros (unless indicated otherwise)	Variability	Impact on result before tax 2008	Impact on equity before tax 2008	Impact on result before tax 2007	Impact on equity before tax 2007
Risk factor					
Interest rate	+1%	335.3	329.5	19.7	84.1
Interest rate	-1%	-203.4	-197.1	-7.1	-86.3
Equity securities / property	+10%	3.7	15.4	47.4	128.3
Equity securities / property	-10%	-3.7	-15.4	-45.3	-126.1
Expenses	+10%	-	-	-1.4	-1.4
Insurance mortality/morbidity	+5%	-	-	-1.3	-1.3

Participating investment contracts

In millions of euros (unless indicated otherwise)	Variability	Impact on result before tax 2008	Impact on equity before tax 2008	Impact on result before tax 2007	Impact on equity before tax 2007
Risk factor					
Interest rate	+1%	33.2	20.4	-55.4	-55.3
Interest rate	-1%	-65.6	-52.3	-35.9	-35.9
Equity securities / property	+10%	21.2	23.9	1.8	1.8
Equity securities / property	-10%	-21.2	-23.7	-1.8	-1.8
Expenses	+10%	-23.9	-23.9	-8.8	-8.8

Investments allocated to equity

In millions of euros (unless indicated otherwise)	Variability	Impact on result before tax 2008	Impact on equity before tax 2008	Impact on result before tax 2007	Impact on equity before tax 2007
Risk factor					
Equity securities / property	+10%	166.0	171.4	213.3	632.2
Equity securities / property	-10%	-166.0	-171.4	-198.5	-617.4

Since changes in costs and mortality do not generally lead directly to an adjustment of the provision, the effect of changes in these risks in the above tables is relatively modest.

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 2008	Impact on equity before tax 2008	Impact on result before tax 2007	Impact on equity before tax 2007
Risk factor					
Interest rate	+1%	-5.7	89.0	-3.3	-75.6
Interest rate	-1%	5.6	-100.8	2.4	81.9
Credit spreads	-1%	-	68.2	-	-
Property	+10%	-0.0	-0.1	-	-
Property	-10%	0.0	0.1	-	-
Equity securities	+10%	-2.8	-48.4	-8.4	-53.6
Equity securities	-10%	2.8	48.4	8.4	53.6
Expenses	+10%	18.9	8.6	-11.8	-6.8
Loss ratio	+5%	119.1	119.1	-28.8	-28.8

Net of reinsurance General and Health contracts

In millions of euros (unless indicated otherwise)	Variability	Impact on result before tax 2008	Impact on equity before tax 2008	Impact on result before tax 2007	Impact on equity before tax 2007
Risk factor					
Interest rate	+1%	-5.3	89.3	-3.5	-75.8
Interest rate	-1%	5.2	-101.1	2.7	82.2
Credit spreads	-1%	-	68.2	-	-
Property	+10%	-0.0	-0.1	-	-
Property	-10%	0.0	0.1	-	-
Equity securities	+10%	-2.8	-48.4	-8.4	-53.6
Equity securities	-10%	2.8	48.4	8.4	53.6
Expenses	+10%	18.3	8.0	-11.2	-6.6
Loss ratio	+5%	115.3	115.3	-24.6	-24.6

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 was adopted by most business units in 2006 for the purposes of risk and capital management (reinsurance policy/RBC). This model was developed further in 2008.

Limitations of sensitivity analysis

The above demonstrates the effect of a change in a key assumption while 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 measures the impact of changes in the key assumptions used for liabilities. Often, particularly in situations involving interest rate sensitivity, the overall impact on the organisation will depend on related value changes in assets and, as a consequence, on the success of asset and liability management. The sensitivity analyses do not take into consideration that Delta Lloyd Group's assets and liabilities are actively managed and may vary at the time that any actual market movement occurs. The financial risk management strategy aims to minimise the exposure to market fluctuations, including selling investments, changing investment portfolio allocation and using derivative financial instruments.

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, as a consequence, to adjustment of the provisions.

Maturity periods

The market value of part 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.

The following table summarises the contractual repricing dates or expected maturity dates (whichever is earlier) for fixed-rate and variable-rate financial liabilities. Since 2005, Delta Lloyd Group has used market interest rates to measure the insurance liabilities for many of its products. To date, the DNB swap curve was applied for this purpose. In view of the exceptional developments in the financial markets in 2008, the DNB swap curve is no longer representative of the market rate. Consequently, Delta Lloyd Group has decided to define the discount curve for its insurance liabilities from 1 January 2008 as the maximum of the DNB swap curve and a yield curve derived from collateralised AAA euro zone bonds. This curve is known as the ‘DLG curve’.

Analysis of expected maturities of financial assets at 31 December 2008

In millions of euros	Within 1 year	Between one and five years	Between five and fifteen years	More than fifteen years	Total 2008
Debt securities	536.2	4,374.1	13,601.8	-	18,512.1
Derivatives held for fair value hedge accounting	1,295.1	68.8	-	-	1,363.9
Loans	3,719.4	2,991.4	11,881.9	-	18,592.7
Cash and cash equivalents	2,551.4	-	-	-	2,551.4
Total	**8,102.2**	**7,434.3**	**25,483.7**	**-**	**41,020.2**

Analysis of expected maturity of financial assets at 31 December 2007

In millions of euros	Within 1 year	Between one and five years	Between five and fifteen years	More than fifteen years	Total 2007
Debt securities	1,373.6	3,440.4	13,787.3	-	18,601.3
Derivatives held for fair value hedge accounting	300.3	5.2	0.2	-	305.7
Loans	3,249.8	2,790.3	11,838.0	-	17,878.1
Cash and cash equivalents	957.9	-	-	-	957.9
Total	**5,881.6**	**6,235.8**	**25,625.6**	**-**	**37,743.0**

Analysis of expected maturity of financial liabilities at 31 December 2008

In millions of euros	Within one year	Between one and five years	Between five and fifteen years	More than fifteen years	Total 2008
Non-linked insurance	1,362.3	5,937.8	8,651.7	5,791.0	21,742.8
Non-linked investment	242.0	1,087.1	1,108.1	699.9	3,137.1
Unit-linked	580.1	2,065.6	3,764.5	3,777.8	10,188.1
Total life insurance and investment contract liabilities	**2,184.4**	**9,090.5**	**13,524.4**	**10,268.7**	**35,067.9**
General insurance liabilities	883.6	725.7	396.1	65.0	2,070.3
Health insurance liabilities	636.5	96.8	-	-	733.2
Total	**3,704.4**	**9,912.9**	**13,920.4**	**10,333.7**	**37,871.5**

Health insurance liabilities are classified as 'liabilities relating to assets held for sale' in the consolidated balance sheet.

Analysis of expected maturity of financial liabilities at 31 December 2007

In millions of euros	Within one year	Between one and five years	Between five and fifteen years	More than fifteen years	Total 2007
Non-linked insurance	1,267.1	5,370.4	7,347.8	4,975.3	18,960.6
Non-linked investment	330.0	753.3	677.9	388.6	2,149.8
Unit-linked	1,191.0	2,241.4	4,224.5	3,393.9	11,050.7
Total life insurance and investment contract liabilities	**2,788.1**	**8,365.1**	**12,250.2**	**8,757.8**	**32,161.1**
General insurance liabilities	748.5	758.7	333.5	60.1	1,900.8
Health insurance liabilities	531.2	317.3	1.6	3.2	853.3
Total	**4,067.8**	**9,441.1**	**12,585.3**	**8,821.0**	**34,915.2**

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.

Market risk

Market risk is the risk of adverse impact due to changes in fair values of financial instruments as a result of 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 decisions reached by the GRC in consultation with the statutory directors of the insurance businesses and the banking divisions. Derivatives are used for investment or hedging purposes, or to structure specific retail-savings products. Speculative activity is generally not permitted. 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.

Delta Lloyd has recognised adverse effects on the value of its financial investments caused by the continuing turbulence in the financial markets. These are recognised as impairments on the financial investments as disclosed in note 15. Delta Lloyd Group continuously monitors the developments in the financial markets. As of yet there are no indications for further significant impairments. Furthermore Delta Lloyd Group does not intend to change the sensitivity analysis parameters and assumptions.

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 foreign currency exchange risk. The majority of foreign currency exchange risk relates to unit-linked portfolios where the policyholder carries the investment risk. This means that Delta Lloyd Group is exposed to limited risk. As a consequence, no sensitivity analysis of foreign currency exchange risk is provided.

Net assets at 31 December by principal currency

In millions of euros	2008	2007
Euro	3,031.8	3,824.1
Pound Sterling	23.9	223.3
United States dollar	118.1	681.2
Other	112.0	344.8
Total	**3,285.8**	**5,073.4**

Interest rate risk

Interest rate risk arises primarily from a mismatch between investments and liabilities, and is managed through the use of a variety of derivative instruments, including swaptions and swaps, in order to hedge against unfavourable market movements in interest rates inherent in the underlying assets and liabilities. Delta Lloyd Group has various swaption agreements to mitigate the effects of potentially adverse interest rate movements. Monitoring was considerably expanded and intensified in 2008.

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 2008, 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. It was decided in December 2007 to hedge part of the equity risk. 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 overweighted in certain titles if compared to certain major indexes. This strategy is driven by the fact that returns on 5% interests 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.

Credit risk

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.
The Group faced the effects of sharply rising credit spreads on the value of the corporate bonds in its invested assets. Credit spreads create an additional risk of mismatch in the balance sheet, as the obligations are discounted using an interest rate structure which does not reflect the credit risk.
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

In millions of euros	AAA	AA	A	BBB	Speculative rating	Not rated by Standard & Poor's	Total 2008
Debt securities	7,492.2	2,341.5	4,278.9	504.3	9.4	1,790.2	16,416.6
Loans and receivables	1,609.0	416.3	407.7	36.9	-	16,122.8	18,592.7
Reinsurance assets	18.9	507.4	73.4	5.5	-	97.2	702.4
Total	**9,120.2**	**3,265.2**	**4,760.0**	**546.8**	**9.4**	**18,010.2**	**35,711.7**

Credit risk at 31 December of the prior year

In millions of euros	AAA	AA	A	BBB	Speculative rating	Not rated by Standard & Poor's	Total 2007
Debt securities	7,397.3	2,125.3	1,103.2	255.1	5.3	2,762.1	13,648.3
Loans and receivables	1,588.6	489.7	406.4	65.0	-	15,328.4	17,878.1
Reinsurance assets	8.2	1,064.3	34.7	4.0	-	171.2	1,282.4
Total	**8,994.1**	**3,679.3**	**1,544.4**	**324.1**	**5.3**	**18,261.7**	**32,808.9**

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 (see note 15).

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 2008
Equity securities	12,601.4	-	1,124.0	13,725.4
Loans	18,081.0	266.3	245.4	18,592.8
Receivables and other financial assets	1,596.7	430.4	11.2	2,038.3
	32,279.1	**696.7**	**1,380.7**	**34,356.4**

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 2007
Equity securities	13,381.5	-	895.1	14,276.6
Loans	17,590.8	265.0	22.3	17,878.1
Receivables and other financial assets	2,876.9	142.1	2.0	3,021.0
	33,849.2	**407.1**	**919.4**	**35,175.7**

Maturity of financial assets that are past due but not impaired at year end

In millions of euros	Within three months	Between three and six months	Between six months and a year	More than one year	Total 2008
Loans	223.1	22.1	13.8	7.3	266.3
Receivables and other financial assets	398.8	10.9	16.5	4.1	430.4
Total	**621.9**	**33.0**	**30.3**	**11.4**	**696.7**

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 2007
Loans	236.1	15.0	4.0	9.9	265.0
Receivables and other financial assets	99.9	15.4	22.3	4.5	142.1
Total	**336.0**	**30.4**	**26.3**	**14.4**	**407.1**

The fair value of collateral under loans that have not yet been impaired despite being owed amounts to € 249.9 million at year-end 2008 (2007: € 200.6 million).
Delta Lloyd Group did not have any significant concentrations of credit risk exposure in 2008.

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. As a result, the liquidity risk is limited.

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 risks 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 independently challenge 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.

Financial reporting risks

Delta Lloyd Group implements SOx. In the year under review, the most important controls relating to financial reporting were identified. An ICT application for the structured recording of all controls and the outcomes of test programmes was installed. The test phase, during which the proper operation of all controls will be assessed, is expected to be completed in mid-2009. One important area of attention for the project is the impact of strategic changes at Delta Lloyd Group on internal control of the financial reporting processes.

Real value of financial assets and liabilities

Financial Assets

In millions of euros	2008 Fair value	2008 Book value	2007 Fair value	2007 Book value
Debt securities	18,512.1	18,512.1	18,601.3	18,601.3
Equity securities	13,725.4	13,725.4	14,276.6	14,276.6
Derivatives held for fair value hedge accounting	1,363.9	1,363.9	305.7	305.7
Loans at fair value through profit or loss	6,102.6	6,102.6	5,898.3	5,898.3
Other loans and receivables	12,852.0	12,490.2	11,802.4	11,979.8
Other financial assets	772.5	772.5	857.1	857.1
Cash and cash equivalents	2,551.4	2,551.4	957.9	957.9
Total	**55,879.9**	**55,518.1**	**52,699.3**	**52,876.7**

Financial liabilities

In millions of euros	2008 Fair value	2008 Book value	2007 Fair value	2007 Book value
Investment contracts	3,326.7	3,326.7	2,209.7	2,209.7
Subordinated debt	547.0	400.5	399.0	412.2
Amounts owed to credit institutions	1,625.9	1,625.9	916.7	916.7
Securitised mortgage loan notes	6,268.8	6,407.4	7,639.4	7,652.1
Derivatives	620.1	620.1	86.1	86.1
Other financial liabilities	7,163.0	7,163.0	6,353.9	6,353.9
Total	**19,551.6**	**19,543.7**	**17,604.8**	**17,630.7**

Fair value of financial assets by measurement method at year end

In millions of euros	Measurement based on published prices	Measurement based on observable market variables	Measurement not based on observable market variables	Amortised cost	Total 2008
Debt securities	17,972.6	539.5	-	-	18,512.1
Equity securities	7,878.4	5,511.0	336.0	-	13,725.3
Derivatives held for fair value hedge accounting	81.3	1,282.6	-	-	1,363.9
Loans	-	6,102.6	-	12,852.0	18,954.6
Cash and cash equivalents	2,551.4	-	-	-	2,551.4
Other	-	772.5	-	-	772.5
Total	**28,483.7**	**14,208.2**	**336.0**	**12,852.0**	**55,879.9**

Fair value of financial assets by measurement method at prior year end

In millions of euros	Measurement based on published prices	Measurement based on observable market variables	Measurement not based on observable market variables	Amortised cost	Total 2007
Debt securities	17,617.8	983.5	-	-	18,601.3
Equity securities	9,626.5	4,326.5	323.6	-	14,276.6
Derivatives held for fair value hedge accounting	-	305.7	-	-	305.7
Loans	-	5,898.3	-	11,802.4	17,700.7
Cash and cash equivalents	957.9	-	-	-	957.9
Other	-	857.1	-	-	857.1
Total	**28,202.2**	**12,371.1**	**323.6**	**11,802.4**	**52,699.3**

The tables below give an overview of the fair value of financial assets for own risk. Policyholder risk assets have not been included, because Delta Lloyd does not bear any risk on these.

Fair value of financial assets own risk by measurement method at year end

In millions of euros	Measurement based on published prices	Measurement based on observable market variables	Measurement not based on observable market variables	Amortised cost	Total 2008
Debt securities	11,393.8	522.6	-	-	11,916.4
Equity securities	2,134.9	2,036.8	336.0	0.0	4,507.7
Derivatives held for fair value hedge accounting	1.9	1,281.1	-	-	1,283.1
Loans	-	6,038.1	-	7,747.5	13,785.6
Cash and cash equivalents	2,551.4	-	-	-	2,551.4
Other	-	527.7	-	-	527.7
Total	**16,082.0**	**10,406.4**	**336.0**	**7,747.5**	**34,571.9**

Fair value of financial assets own risk by measurement method at prior year end

In millions of euros	Measurement based on published prices	Measurement based on observable market variables	Measurement not based on observable market variables	Amortised cost	Total 2007
Debt securities	11,316.3	874.4	-	-	12,190.7
Equity securities	3,510.3	1,384.6	323.3	-	5,218.2
Loans	-	5,644.0	-	9,709.0	15,353.0
Cash and cash equivalents	957.9	-	-	-	957.9
Other	-	750.9	-	-	750.9
Total	**15,784.5**	**8,653.9**	**323.3**	**9,709.0**	**34,470.7**

Fair value of liabilities by measurement method at year end

In millions of euros	Measurement based on published prices	Measurement based on observable market variables	Measurement not based on observable market variables	Amortised cost	Total 2008
Investment contracts	3,326.7	-	-	-	3,326.7
Subordinated debt	-	-	-	547.0	547.0
Amounts owed to credit institutions	-	-	-	1,625.9	1,625.9
Securitised mortgage loan notes	-	4,133.8	-	2,135.0	6,268.8
Derivatives	46.5	573.6	-	-	620.1
Other financial liabilities	-	-	-	7,163.0	7,163.0
Total	**3,373.2**	**4,707.4**	**-**	**11,470.9**	**19,551.6**

Fair value of liabilities by measurement method at prior year end

In millions of euros	Measurement based on published prices	Measurement based on observable market variables	Measurement not based on observable market variables	Amortised cost	Total 2007
Investment contracts	2,209.7	-	-	-	2,209.7
Subordinated debt	-	-	-	399.0	399.0
Amounts owed to credit institutions	-	-	-	916.7	916.7
Securitised mortgage loan notes	-	4,827.3	-	2,812.1	7,639.4
Derivatives	0.6	85.5	-	-	86.1
Other financial liabilities	-	-	-	6,353.9	6,353.9
Total	**2,210.3**	**4,912.8**	**-**	**10,481.7**	**17,604.8**

Measurement based on published prices
Measurement is based on market value: the price quoted in an active market. An active market is one in which transactions take place with sufficient frequency and in sufficient volume so that prices are generated continuously.

Measurement based on observable market variables
Measurement uses market models based on external quotations, which ultimately lead to a market value for these financial instruments.

Measurement not based on observable market variables
This category includes financial instruments for which an internal model is used which is not based on market observation but which gives an indication of the actual market value using internal assumptions on the assumptions that the market would use to reach a value for the financial instrument.

Amortised cost
The carrying value of a financial instrument is calculated from the present value of future interest payments.

Sensitivity of fair values
Changes to the assumptions used in measurement that are not supported by recent market transactions should not have a major impact on equity or result.

5.1.6.36 (36) Derivative financial instruments

In millions of euros	Contract / notional amount 2008	Fair value asset 2008	Fair value liability 2008	Contract / notional amount 2007	Fair value asset 2007	Fair value liability 2007
Foreign exchange contracts						
OTC						
Forwards	789.9	33.1	34.2	1,303.1	4.5	4.6
Interest rate and currency swaps	3.4	0.0	0.0	19.9	1.1	-
Total foreign exchange contracts	**793.3**	**33.1**	**34.2**	**1,322.9**	**5.6**	**4.6**
Interest rate contracts						
OTC						
Forwards	45.0	0.7	0.9	50.0	0.3	0.2
Interest rate and currency swaps held for fair value hedge accounting	1,125.0	-	87.5	-	-	-
Interest rate and currency swaps not held for fair value hedge accounting	10,518.7	306.8	485.8	9,838.7	204.7	80.7
Options	8,525.0	618.8	-	400.0	12.9	-
Exchange traded						
Futures	167.0	1.7	0.1	77.2	-	0.6
Total interest rate contracts	**20,380.7**	**928.1**	**574.3**	**10,365.9**	**217.9**	**81.6**
Equity/index contracts						
OTC						
Forwards	-	-	-	0.0	-	-
Options	2,092.9	373.6	-	1,000.6	65.7	-
Exchange traded						
Futures	242.0	-	-	0.0	0.0	-
Options	3.5	6.2	-	507.2	16.5	-
Total equity/index contracts	**2,338.4**	**379.8**	**-**	**1,507.8**	**82.2**	**-**
Credit default swaps	**505.0**	**22.8**	**11.6**	**-**	**0.0**	**-**
Total	**24,017.5**	**1,363.9**	**620.1**	**13,196.6**	**305.7**	**86.1**

Fair value hedge accounting is only applied in the banking division.

The derivative assets have the following maturities

In millions of euros	Fair value asset 2008	Fair value asset 2007	Fair value liability 2008	Fair value liability 2007
Within one year	1,295.1	300.3	570.2	85.7
More than one year	68.8	5.4	49.9	0.4
	1,363.9	**305.7**	**620.1**	**86.1**

5.1.6.37 (37) Assets under management

Assets under management at year end

In millions of euros	2008	2007
Total funds under management in the consolidated balance sheet	55,286.0	54,360.2
Third-party funds under management	12,940.7	12,271.2
Total assets under management	**68,226.7**	**66,631.4**

Third-party funds under management include funds managed by Delta Lloyd Group that have not yet been recognised in the consolidated financial statements.

5.1.6.38 (38) Related party transactions

Services provided to related parties

In millions of euros	Income earned in year 2008	Receivable at year end 2008	Income earned in year 2007	Receivable at year end 2007
Aviva group companies	56.6	123.2	59.2	92.2
Total	**56.6**	**123.2**	**59.2**	**92.2**

Services provided by related parties

In millions of euros	Expenses incurred in year 2008	Payable at year end 2008	Expenses incurred in year 2007	Payable at year end 2007
Aviva group companies	43.9	1.1	36.2	6.3
Employee pension plans	75.1	1,534.0	18.0	1,465.8
Total	**119.0**	**1,535.1**	**54.2**	**1,472.1**

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 received three

long-term loans. Two from Fonds NutsOhra and one from Aviva plc. Further information on these loans is included in note 30.

5.1.6.39 (39) Capital Management

The capital structure of Delta Lloyd Group is managed on the basis of the ICA (Internal Capital Assessment) balance sheet under IFRS. Based on different economic and operating scenarios, the required minimum capital is set for each individual entity. The total capital employed is allocated in such a way that the required minimum levels are met and the expected returns are maximised, while the operating income from the capital allocated is higher than the costs of capital.

Capital Management

In managing its capital, the Group seeks to:

- match the profile of its assets and liabilities, taking account of the risks inherent in each division, in such a way that the vast majority of capital is held in fixed income securities. In addition, a significant proportion of the capital is held in equities and property, particularly in the general and health insurance operations;
- maintain financial strength to support new business growth and satisfy the requirements of its policyholders, regulators and rating agencies;
- retain financial flexibility by maintaining strong liquidity, including significant unutilised credit lines, and access to a range of capital markets; and
- allocate capital efficiently to support growth.

An important aspect of the Group's capital management process is the setting of after-tax profitability targets for the individual divisions. These targets are aligned to the performance objectives and ensure that the Group is fully focused on the creation of value for shareholders. The Group has a number of sources of capital available to it and seeks to optimise its debt to equity structure in order to ensure that it can consistently maximise returns to shareholders.

Total capital employed

Total capital employed is defined as shareholders' equity including preference shares plus the (perpetual) subordinated loans received from Fonds NutsOhra and Aviva plc., goodwill, prudency margin and other external debt. The composition was as follows:

Total capital employed

In millions of euros	2008	2007
Total capital and reserves	3,018.3	4,836.0
Subordinated debt	409.8	409.1
Goodwill	-260.9	-205.4
Prudency margin	377.0	175.9
Other external debt	48.0	30.0
Total capital employed	**3,592.2**	**5,245.6**

At 31 December 2008, the Group's total capital employed amounted to € 3,592.2 million (2007: € 5,245.6 million), which was financed by equity, reserves, retained earnings, subordinated debt,

goodwill, prudency margin and other external debt. In 2008, the total capital employed fell by € 1,653.4 million driven by the operating results and developments in capital and equity markets during the year.

Capital requirements

To provide high assurance that the demands of shareholders and policyholders are met, management has defined a minimum capital requirement. The required capital has been determined according to the ICA method, whereby the resilience of capital is measured in extreme scenarios. Delta Lloyd Group compares the total capital employed against the required capital at regular intervals.
The following table shows the development of the total capital employed (the ICA figure for 2008 being based on a preliminary calculation).

	2008	2007
ICA total balance sheet	114,0%	154,0%

The Group fully complied with the regulatory requirements, on both a local and consolidated basis, during the year.

Amsterdam, 24 February 2009

Executive Board

N.W. Hoek, chairman
P.J.W.G. Kok
P.K. Medendorp
H.H. Raué

Supervisory Board

R.H.P.W. Kottman, chairman
P.G. Boumeester
E.J. Fischer
J.G. Haars
J.H. Holsboer
A.J. Moss
Ph.G. Scott
M.H.M. Smits

5.2 Company financial statements

Company income statement for the year ending 31 December

In millions of euros	2008	2007
Result from participating interests after tax	-80.3	759.6
Other result after taxation	-80.5	-14.7
Total result after tax	**-160.8**	**744.9**

Of the result on participating interests, an amount of € -86.1 million (2007: € 757.6 million) refers to Group companies and € 5.8 million (2007: € 2.0 million) to other participating interests.

Company balance sheet at year end before appropriation of profit

In millions of euros	2008	2007
Goodwill (I)	182.6	182.9
Total intangible fixed assets (I)	**182.6**	**182.9**
Participating interests in group companies (II)	3,901.8	5,056.5
Participating interests with significant influence (II)	77.3	93.7
Total financial fixed assers	**3,979.0**	**5,150.2**
Total fixed assets	**4,161.7**	**5,333.1**
Equity securities (III)	372.7	265.8
Long-term loans (III)	84.2	212.1
Short-term loans (III)	19.8	12.3
Receivables (IV)	593.4	686.7
Cash and cash equivalents	3.6	4.1
Total current assets	**1,073.8**	**1,181.0**
Total assets	**5,235.5**	**6,514.1**
Share capital (V)	107.1	107.1
Ordinary share premiums (V)	91.8	91.8
Participating interests reserve (V)	1,710.0	1,433.1
Revaluation reserve (V)	-136.4	1,294.1
Other reserves (V)	1,406.7	1,165.0
Unallocated profit (V)	160.8	744.9
Total equity	**3,018.4**	**4,836.0**
Provisions (VII)	29.2	61.4
Subordinated debt (VI)	409.8	409.1
Long-term borrowings	617.0	777.4
Total long-term liabilities	**1,026.8**	**1,186.4**
Other liabilities (VIII)	1,161.1	430.3
Total liabilities	**2,217.1**	**1,678.0**
Total equity and liabilities	**5,235.5**	**6,514.1**

5.2.1 Notes to the company financial statements

London-based Aviva plc is the ultimate holder of Delta Lloyd NV's entire ordinary share capital. In addition, Fonds NutsOhra holds an interest in the form of preference shares.

5.2.1.1 Accounting policies

The company financial statements of Delta Lloyd NV are prepared in accordance with the legal requirements of Title 9 of Book 2 of the Netherlands Civil Code. As the income statement of Delta Lloyd NV for 2008 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.
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:

Participating interests in group companies

Participating interests in group companies 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.

Impact of changes in accounting policies in 2007

In millions of euros	2007 before changes in accounting policies	Pension obligations	2007 after changes in accounting policies
Balance sheet			
Participating interests in group companies	5,086.4	-29.9	5,056.5
Total equity	4,865.9	-29.9	4,836.0
Income statement			
Result on associates	753.7	5.9	759.6
Total result after tax	739.0	5.9	744.9

Impact of changes in accounting policies in 2008

In millions of euros	2008 before changes in accounting polices	Pension obligations	2008 after changes in accounting policies
Balance sheet			
Participating interests in group companies	3,931.6	-29.9	3,901.7
Total equity	3,048.2	-29.9	3,018.3
Income statement			
Result on associates	-80.3	-	-80.3
Total result after tax	-160.8	-	-160.8

The cumulative impact of changes in accounting policies on equity for the years prior to 2007 amounts to minus € -35.8 million.

5.2.1.2 (I) Goodwill

Goodwill carrying value for the year ending 31 December

In millions of euros	2008	2007
At 1 January	**182.9**	**137.4**
Additions	-	55.6
Other adjustments	-0.3	-10.1
At 31 December	**182.6**	**182.9**

Goodwill on Delta Lloyd Group investments in associates is included in the carrying amount of the associates.

In 2008, the definitive goodwill figure for Cyrte investments led to a downward adjustment of € -0.3 million.

5.2.1.3 (II) Participating interests in group companies

The following adjustments occurred in investments in subsidiaries and associates:

In millions of euros	Participating interests in group companies	Participating interests with significant influence	Total
At 1 January 2007	**5,139.8**	**21.5**	**5,161.4**
Disposals	-25.5	-	-25.5
Result for the year	757.6	2.0	759.6
Withdrawn dividend	-721.2	-0.3	-721.5
New equity capital	121.9	55.6	177.5
Fair value gains and losses through equity	-216.1	14.8	-201.4
At 31 December 2007	**5,056.5**	**93.7**	**5,150.2**
At 1 January 2008	**5,056.5**	**93.7**	**5,150.2**
Disposals	-	-18.6	-18.6
Result for the year	-86.1	5.8	-80.3
Withdrawn dividend	-482.7	-0.2	-482.9
New equity capital	779.2	16.4	795.6
Fair value gains and losses through equity	-1,365.1	-21.1	-1,386.3
At 31 December 2008	**3,901.8**	**77.3**	**3,979.0**

Outline of major companies at year end

Aviva plc, London is the ultimate holder of Delta Lloyd NV's entire ordinary share capital. In addition, Fonds NutsOhra 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)

Cyrte Investments BV (85%) (Naarden)

Delta Lloyd Asset Management B.V. (Amsterdam)

Life

Delta Lloyd Levensverzekering NV (Amsterdam)

OHRA Levensverzekeringen NV (Arnhem)

Delta Lloyd Lebensversicherung AG (99.92%) (Wiesbaden, Germany)

Delta Lloyd Herverzekeringsmaatschappij NV (Amsterdam)

Delta Lloyd Vastgoed Fonds NV (Amsterdam)

Delta Lloyd Life NV (Brussel, België)

Swiss Life Belgium NV (Brussel, België)

ABN AMRO Levensverzekering NV (51%) (Zwolle)

Levensverzekering Maatschappij Erasmus NV (Rotterdam)

Investment funds

Delta Lloyd Rente Fonds NV (79,8%) (Amsterdam)

Delta Lloyd Investment Fund NV (94,6%) (Amsterdam)

Daedalus plc (94,7%) (Dublin, Ierland)

General

Delta Lloyd Schadeverzekering BV (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)

Schadeverzekering Maatschappij Erasmus NV (Rotterdam)

NOWM Verzekeringen NV (99,58%) (Groningen)

ABN AMRO Schadeverzekering NV (51%) (Zwolle)

ABN AMRO Assuradeuren BV (51%) (Zwolle)

Health

Delta Lloyd Zorgverzekering NV (The Hague)

Ohra Zorgverzekeringen NV (Den Haag)

OHRA Ziektekostenverzekeringen NV (Arnhem)

Bank

Delta Lloyd Bank NV (Amsterdam)

Delta Lloyd Bank NV (Brussels, Belgium)

Gries & Heissel Bankiers AG (Berlin, Germany)

On 1 January 2009, Swiss Life Belgium was merged with Delta Lloyd Life.

5.2.1.4 (III) Investments

Equity securities

In millions of euros	2008	2007
At 1 January	**265.8**	**284.6**
Additions	275.0	75.1
Disposals	-66.9	-62.4
Fair value gains and losses	-54.8	-26.0
Impairment losses	-46.4	-5.6
At 31 December	**372.7**	**265.8**

Loans

The fair value of the total loan portfolio with an amortised cost of € 104.0 million (2007: € 224.4 million) amounted to € 104.0 million (2007: € 238.3 million).

5.2.1.5 (IV) Receivables

Receivables at 31 December

In millions of euros	2008	2007
Receivables from group companies	241.5	640.6
Receivables and other financial assets	2.9	3.2
Capitalised interest and prepayments	0.7	4.8
Current tax assets	348.3	38.0
Receivables	**593.4**	**686.7**

All receivables are short term.

5.2.1.6 (V) Equity

Statement of changes in equity

In millions of euros	2008	2007
Share capital	**107.1**	**107.1**
Ordinary share premiums	**91.8**	**91.8**
Participating interests reserve		
At 1 January	**1,433.1**	**1,383.7**
Result on associates in prior year	759.6	770.8
Dividends received from associates	-482.7	-721.5
At 31 December	**1,710.0**	**1,433.1**
Revaluation reserves		
At 1 January	**1,294.1**	**1,516.0**
Movements in the value of investments	-75.9	-26.0
Movements in the value of participating interest	-1,364.0	-206.8
Taxes on the above movements	9.3	10.9
At 31 December	**-136.4**	**1,294.1**
Other reserves		
At 1 January	**1,165.0**	**663.6**
Dividends received from associates	482.7	721.5
Result of the holding company excluding prior year result on associates	-14.7	-46.2
Dividend paid	-226.4	-173.9
At 31 December	**1,406.7**	**1,165.0**
Unallocated profit		
Result for the year	**-160.8**	**744.9**
Total equity	**3,018.3**	**4,836.0**

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. This reserve includes a legal reserve of € 581.2 million (2007: € 626.9 million) 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.

5.2.1.7 (VI) Subordinated loans

Carrying value

The following table provides information on the maturity periods and effective interest rates of the company's subordinated loans and preference shares.

Contractual repricing or maturity dates 2008

In millions of euros	More than five years	Total 2008
Subordinated debt	400.5	400.5
Preference shares	9.3	9.3
Total borrowings	**409.8**	**409.8**

Contractual repricing or maturity dates 2007

In millions of euros	More than five years	Total 2007
Subordinated debt	399.8	399.8
Preference shares	9.3	9.3
Total borrowings	**409.1**	**409.1**

Fonds NutsOhra

The 2.5% perpetual subordinated loan notes were issued to finance the acquisition of NutsOhra 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 € 272.2 million (2007: € 185.7 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 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 2008 is € 22.0 million (2007: € 16.7 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 €253.0 million (2007: 196.6 million).

As outlined in note 20, the issued convertible preference shares A 1,024,000 (2007: 1,024,000) with a face value of € 9.08 per share are reported as convertible loan.

5.2.1.8 (VII) Provisions

Movement in provisions

In millions of euros	Restructuring provisions	Other provisions	Total
At 1 January 2007	**35.5**	**20.3**	**55.8**
Additional provision made in the year	-	19.4	19.4
Unused amounts released	-1.4	-	-1.4
Withdrawal provision during the year	-5.0	-7.5	-12.5
At 31 December 2007	**29.2**	**32.2**	**61.4**
At 1 January 2008	**29.2**	**32.2**	**61.4**
Additional provision made in the year	-	9.2	9.2
Unused amounts released	-	-26.2	-26.2
Withdrawal provision during the year	-	-15.2	-15.2
At 31 December 2008	**29.2**	**-**	**29.2**

The restructuring provisions of € 29.2 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.

5.2.1.9 (VIII) Other liabilities

Other liabilities at 31 December

In millions of euros	2008	2007
Current tax	-	21.0
Accrued interest	18.6	19.0
Debts to group companies	545.9	176.8
Credit on demand	473.0	187.7
Other	123.6	25.8
At 31 December	**1,161.1**	**430.3**

There are no liabilities with a term to maturity of more than year (2007: € 4.7 million)

Current tax assets and liabilities at year end

In millions of euros	2008	2007
Current tax assets	26.4	38.0
Deferred tax assets	321.9	-
Total tax assets	**348.3**	**38.0**
Current tax liabilities	-	2.0
Deferred tax liabilities	-	19.0
Total tax liabilities	**-**	**21.0**
Net tax asset / liability	**-348.3**	**-17.0**

Delta Lloyd NV is the parent company of the Delta Lloyd tax entity. The deferred tax asset includes € 325.8 million in unused tax losses of the Delta Lloyd NV tax entity. This amount is probably recoverable through future taxable profits.

Deferred tax assets and liabilities at 31 December

In millions of euros	2008	2007
Unrealised gains and losses on investments	19.6	24.1
Other temporary differences	-341.5	5.1
Net deferred tax asset / liability	**-321.9**	**19.0**

Movement in net deferred tax assets / liabilities

In millions of euros	2008	2007
At 1 January	**19.0**	**77.6**
Amounts charged / credited to result	-331.6	-47.7
Amounts charged / credited to equity	-9.3	-10.9
At 31 December	**-321.9**	**19.0**

The company has no unrecognised tax losses.

5.2.1.10 (IX) Related party transactions

Services provided to related parties

In millions of euros	Income earned in year 2008	Receivable at year end 2008	Income earned in year 2007	Receivable at year end 2007
Subsidiaries	204.7	313.4	113.6	801.4
Total	**204.7**	**313.4**	**113.6**	**801.4**

Services provided by related parties

In millions of euros	Expenses incurred in year 2008	Payable at year end 2008	Expenses incurred in year 2007	Payable at year end 2007
Subsidiaries	86.1	545.9	88.7	954.2
Aviva group companies	-	-	12.5	214.9
Total	**86.1**	**545.9**	**101.2**	**1,169.1**

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 note IV of the explanatory notes to the company financial statements.

The related party payables are not secured and no guarantees were received in respect thereof. The payables will be settled in accordance with normal credit terms.

5.2.1.11 (X) Off-balance sheet commitments

In millions of euros	2008	2007
Investments	1.0	7.5
Contingent liabilities	5.2	41.9
Total	**6.2**	**49.4**

5.2.1.12 (XI) Employee information

Employee information for the year ending 31 December

Number in FTEs	2008	2007
Permanent staff	621	577
Temporary staff	200	256
Total	**821**	**833**

Staff costs for the year ending 31 December

In millions of euros	2008	2007
Salaries	50.6	33.3
External staff	64.2	23.7
Social security contributions	5.5	2.9
Pension and post-retirement expenses	68.9	0.5
Profit sharing and incentive plans	-16.9	22.1
Termination benefits	0.7	-
Other staff costs	16.0	7.9
Total	**189.0**	**90.4**

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.

5.2.1.13 (XII) Accountancy fees

Fees paid to auditor

In millions of euros	2008	2007
Audit fee	1.1	6.2
Other accountancy fees	0.2	2.0
Total	**1.3**	**8.2**

The audit fees for 2007 include amounts which have been invoiced in respect of work performed in prior years.

Amsterdam, 24 February 2009

Executive Board

N.W. Hoek, chairman
P.J.W.G. Kok
P.K. Medendorp
H.H. Raué

Supervisory Board

R.H.P.W. Kottman, chairman
P.G. Boumeester
E.J. Fischer
J.G. Haars
J.H. Holsboer
A.J. Moss

Ph.G. Scott
M.H.M. Smits

5.3 Other information

Except for the sale of the health operations to CZ Group as mentioned in paragraph 5.1.6.3, there are no other post balance sheet events.

5.3.1 Dividends and appropriation of profits

Profit appropriation provisions in the articles of association

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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, to the extent relevant, that is not added to the dividend reserve A, 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 loss of € 160.8 million is charged to other reserves.

5.3.2 Auditor's report

To the General Meeting of Shareholders of Delta Lloyd NV

Report on the financial statements

We have audited the accompanying financial statements 2008 of Delta Lloyd NV, Amsterdam as set out in section 5.1 and 5.2. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2008, 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 2008, 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 report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 2008, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Delta Lloyd NV as at 31 December 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part 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, 24 February 2009

Ernst & Young Accountants LLP

signed by N.G. de Jager

6 About Delta Lloyd Group

Delta Lloyd Group offers its customers security through risk insurance, income protection and wealth creation. Delta Lloyd Group is a full financial service provider that offers insurance, asset management and banking services. The Group is active in the Netherlands, Belgium and Germany. In the Netherlands, operating under the strong brand names of Delta Lloyd, OHRA and ABN AMRO Insurance, Delta Lloyd Group provides insurance, asset management and banking services. This broad range of products and services, varying from simple savings schemes to complex pension plans, insurance policies and financial planning, is available through the customer's distribution channel of choice. In the Netherlands, Delta Lloyd works closely with independent insurance intermediaries. OHRA approaches personal and commercial customers directly, notably via the internet. ABN AMRO Insurance serves its customers through the extensive distribution network of ABN AMRO Bank in the Netherlands. The Group is active in the fields of life insurance and private banking in Germany, and retail banking, business banking and insurance in Belgium.
Delta Lloyd Group's history dates back two centuries: a two hundred-year track record of continuity and reliability. Thanks to its strong long-term focus and consistent strategy, the 19th century Hollandsche Societeit van Levensverzekeringen gradually evolved into the present-day Delta Lloyd Group, a prominent full financial service provider.

At year-end 2008, Delta Lloyd Group's permanent staff totalled 6,674 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.

6.1 Working on a secure future

Delta Lloyd Group secures the future. That pledge entails a responsibility to safeguard the group's continuity 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 Group's two hundred-year history. A company that sells trust must itself be 100% reliable. The choices that the Group makes impact on the future of its customers, employees, suppliers and – ultimately – society as a whole. Delta Lloyd Group sees social commitment as an essential part of its licence to operate.

6.2 Entrepreneurship

Integrity and sound entrepreneurship are the basis of commercial success. Delta Lloyd Group applies clear principles on how the company is governed and its business is conducted. This ultimately guarantees good results.
Prudent entrepreneurship assures the financial solidity and solvency necessary to realise the Group's principal ambition: to provide security. With a consistent focus on long-term goals and continuity, Delta Lloyd Group is working on a secure future for and with all its stakeholders. This approach has enabled the Group to grow into the powerful and solid business it is today. Integrity and

accountability, combined with transparent reporting, are of essential importance to Delta Lloyd Group's entrepreneurship. These ensure that a genuinely lasting relationship is built with all the stakeholders.

6.3 'The Future Secured' strategy

Delta Lloyd Group focuses 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, referred to as 'The Future Secured'. 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 Future Secured' strategy builds on past achievements and simultaneously provides a sharper focus, with the agility to adapt to economic and political developments that influence the insurance sector.
In order to continue to offer security in the future, five strategic pillars have been defined as part of 'The Future Secured'.

1. Reputation

Reliability is essential in financial services. This was made abundantly clear by the turbulence in the financial markets in 2008. A good reputation reflects that reliability, but also the seriousness with which a company deals with integrity and corporate social responsibility. The reputation of the Group rests on the personal commitment of all employees, on their performance and on the three strong brands: Delta Lloyd, OHRA and ABN AMRO Insurance. Reputation is trust. Weighing up the interests of all stakeholders properly inspires trust and strengthens the Group's reputation and its ability to achieve its business objectives in the longer term.

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

Group-wide sharing of processes, knowledge and expertise enables Delta Lloyd Group to achieve optimal scale, synergy and efficiency within the Group. This is necessary to live up to its growth ambition. Major steps forward were made through the simplification of processes, the shared implementation of optimally standardised back office activities and the shared product development for all relevant brands. This concentration of efforts ensures better service and lower costs combined with greater volume – in other words: increased competitive power.

4. Expertise

Delta Lloyd Group distinguishes itself through its knowledge and expertise. The Group wants to be seen by its customers as an expert financial service provider. Only through knowledge and expertise can Delta Lloyd Group give its customers and distributors genuine advice and support. 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 a concerted effort, cooperation and the unimpeded exchange of know-how across the Group, and also recognises that innovation is crucially important.

5. Core values

The seven core values of Delta Lloyd Group have been deeply embedded in the organisation. They give clear expression to what the Group stands for, and have served for many years as a guideline and touchstone in all activities of Delta Lloyd Group.

6.4 Core values

Delta Lloyd Group aims to make a healthy profit, while always acting according to its standards and values. The Group's core values serve as a guide for all its activities.
Delta Lloyd Group is constantly seeking the right balance between entrepreneurial spirit and social responsibility. There is also a deep-felt awareness that integrity, combined with entrepreneurship, is key to winning the trust of stakeholders that is crucially important for a financial service provider. For this reason, integrity towards customers, distribution partners, staff, shareholders and society at large constitutes an important basic principle for Delta Lloyd Group. Naturally, the Group endorses the industry-based and statutory codes of conduct. This mentality is reflected in Delta Lloyd Group's core values and in the way they guide daily practice.

6.4.1 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 its constant search for the right balance between entrepreneurial spirit and social responsibility, the Group identifies and openly addresses dilemmas. The core values are 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 the core values, Delta Lloyd Group wants to inspire and encourage its staff to achieve the same balance between high performance and 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. Integrity is expressed in a permanent sense of responsibility - and accountability - for one's own actions. The Group expects customers and trading partners 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, distribution partners, employees, shareholders 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, and cooperation is crucial. This requires commitment, personal contacts and appreciation of results.

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 respond as rapidly as possible, to social developments. The willingness to change is a prerequisite in this respect.

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

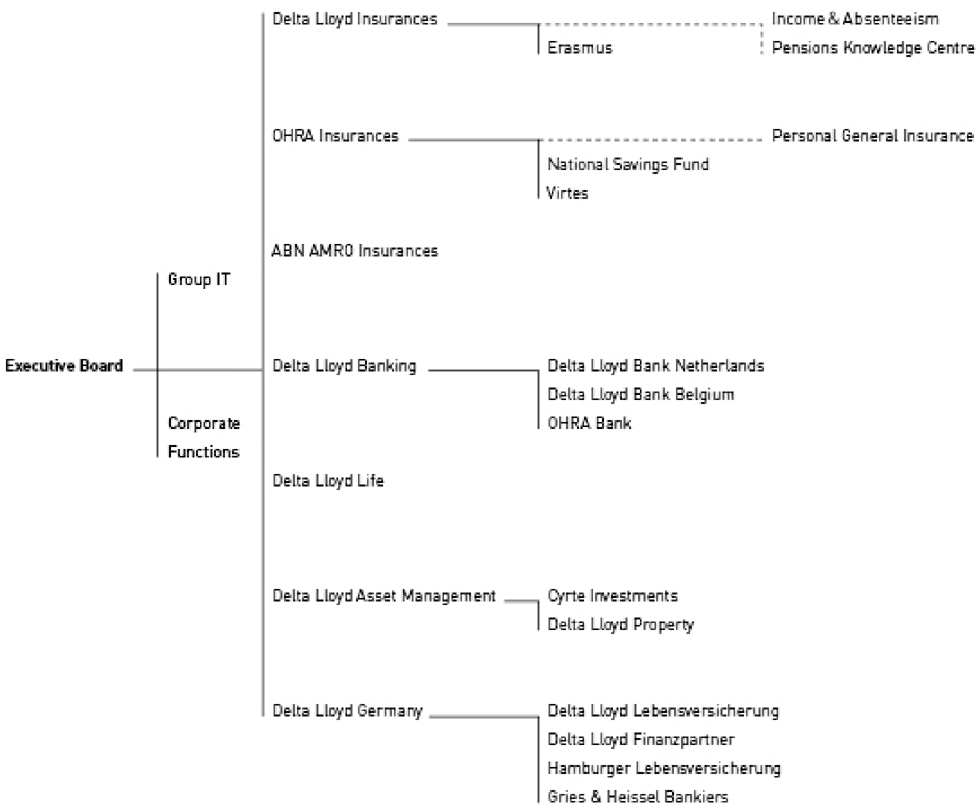
6.5 Core activities

All core activities of Delta Lloyd Group are focused on a single objective: offering security for personal customers, entrepreneurs and businesses, by insuring their risks and income and building provisions for the future.
Delta Lloyd Group ensures income protection, wealth creation and risk insurance. Its core activities include life, pension, general and health insurance, as well as savings, investment and mortgages. Delta Lloyd Group strives to be one of the leading financial service providers in the Netherlands, Germany and Belgium. To this end, the Group focuses on profitable markets offering sufficient scale.

Delta Lloyd Group is the organisation behind the Delta Lloyd, OHRA and ABN AMRO Insurance brands. These three brands each have their specific strengths and brand activities.

- The Delta Lloyd brand stands for insurance and pension services through independent intermediaries, asset management activities and property investments, banking and mortgage products in the Dutch, Belgian and German markets.
- OHRA sells insurance, banking products and pension services direct to personal and commercial customers in the Netherlands.
- ABN AMRO Insurance provides insurance and pension services via the distribution network of ABN AMRO Bank in the Netherlands.
- In Belgium, Delta Lloyd Life provides insurance and pension services, as well as general insurance under the Zelia label, while Delta Lloyd Bank is active as a retail bank, private bank and business bank.
- In the German market, Delta Lloyd Germany offers life insurance, pensions, private banking and mortgages through insurance intermediaries.

6.6 Organisation chart



6.7 Senior Management

Situation as at 1 January 2009

Supervisory Board

R.H.P.W. (René) Kottman, chairman
P.G. (Pamela) Boumeester
E.J. (Eric) Fischer
Ir. J.G. (Jan) Haars
J.H. (Jan) Holsboer
A.J. (Andrew) Moss
Ph.G. (Philip) Scott
M.H.M. (Marcel) Smits

Executive Board

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

Company secretary

D.E. (Debbie) Bouguenon

External auditor

Ernst & Young Accountants LLP

Central Works Council

C.M.J. (Kees) van Ophem, chairman
H. (Henk) Beerda, vice chairman
R. (Robert) Heinsbroek
W.F.J.M. (Wout) Hermans
R.M.J.F. (Ravi) Kuitems
D.B.F. (Thea) Ligtenbelt
P. (Peter) Losekoot
E.J. (Bert) Schilperoord
M. (Marga) Spijker-Goederee
R. (Roy) Suurbier
G.G.L. (Guus) Verheul
R.E. (Robert) Wonnink

Central Works Council secretariat
D.A.C.J. (Dominique) Fragu, secretary
R.C.G. (Ruud) de Groot, secretary
G. (Gerti) Moddermann-Koerts, secretary

Corporate Staff
T.A.P.M. (Theo) Berg, Group Actuarial & Risk Management
D.S. (David) Brilleslijper, Corporate Communications
J.H.G. (Jan) Bruineman, Group Tax
E.W. (Liesbeth) Galesloot-Vaal, Group Legal
R. (Rob) van Mazijk, Group Projects
J.H. (Jos) Motzheim, Group Integrity
B.A. (Ben) Sinnige, Group HRM
N. (Nita) Studen-Kiliaan, Corporate Development
M.A.C. (Marjo) Vissers, Group Business Change & Development
W.A. (Wim) Weima, Group Procurement
S. (Sven) Williamson, Group Finance & Control
B. (Boudewijn) van der Woerd, Group Audit

Corporate Relationships
A.C. (Ad) Rijken

Group IT
L.M. (Leon) van Riet, Chief Information Officer
R. (Richard) Sanders
B.J. (Bob) Visser (ad interim)

Management of Delta Lloyd Insurance
O.W. (Onno) Verstegen, chairman

Delta Lloyd Life
E.A.A. (Emiel) Roozen, chairman
I.M.A. (Ingrid) de Graaf
H. (Henk) Otten

Delta Lloyd General
H.H. (Herman Hein) Roozen, chairman
L. (Leo) van Herk
A.H.A.M. (Adéle) Jeuken
Income & Absenteeism
N. (Nathalie) de Geus

Marketing & Sales
H. (Harry) van der Zwan

Finance, Planning & Control
A.J. (Aartjan) Paauw
A.C.M. (Antoine) van Bijsterveldt

Erasmus Insurance
R.H. (Ronald) Ketellapper

Facility Management Services
R.J. (Rob) Volman

Lancyr
P.C.J. (Peter) Mols

Management of OHRA Insurance
R. (Robert) Otto, chairman

OHRA Insurance
J.W. (Hanneke) Jukema
G.J. (Gerard) van Rooijen
M.C.M. (Marcel) Viester, Finance & Control

National Savings Fund
P.L.M. (Paul) van Weerdenburg

Personal General Insurance
A.R. (René) Kruijs

Management of ABN AMRO Insurance
C.F. (Cees) Frankhuisen, CEO
E. (Edwin) Grutterink
K.J. (Klaas Johan) Roffel, CFO
M.B.C.M. (Bernadette) Wakkerman (from 1 March 2009)
J. (Jaap) Witteveen

Management of Delta Lloyd Asset Management

J.P. (Jaco) Aardoom, chairman
P.A. (Peter) Knoeff, CFO
A.H. (Alex) Otto

Property

E.A. (Egbert) Dijkstra

Cyrte Investments

F. (Frank) Botman
M. (Meinte) Dijkstra

Management of Delta Lloyd Banking

J.L. (Joost) Melis, chairman
G.T. (Gilbert) Pluym, CFO
P.A.J.M. (Piet) Verbrugge

Delta Lloyd Bank Netherlands

J.L. (Joost) Melis, chairman
E. (Erica) Blom-Groenink
H.R. (Hans) Cohen
G.T. (Gilbert) Pluym

Delta Lloyd Bank Belgium

P.A.J.M. (Piet) Verbrugge, chairman
F. (Filip) de Campenaere, CFO
G.K.H. (Geert) Ceuppens
A.J. (Aymon) Detroch

Management of Delta Lloyd Life (Belgium)

F. (Frank) Blankers, chairman of Executive Committee
J. (Jan) van Autreve
P. (Peter) Brewee
H. (Hugo) De Cupere
B. (Bruno) Moors, CFO

Management of Delta Lloyd Germany

C.W. (Christof) Göldi, CEO
W. (Wolfgang) Fuchs
A.M.P.J. (Martin) Heuvelmans, CFO

6.8 Addresses

DELTA LLOYD GROUP
P.O. Box 1000, 1000 BA Amsterdam, the Netherlands
Amstelplein 6, 1096 BC Amsterdam, the Netherlands
T +31 (0)20 594 91 11, F +31 (0)20 693 79 68
http://www.deltalloydgroep.com/

DELTA LLOYD INSURANCE
P.O. Box 1000, 1000 BA Amsterdam, the Netherlands
Spaklerweg 4, 1096 BA Amsterdam, the Netherlands
T +31 (0)20 594 91 11, F +31 (0)20 693 79 68
http://www.deltalloyd.nl/

ERASMUS INSURANCE
P.O. Box 1033, 3000 BA Rotterdam, the Netherlands
Boompjes 57, 3011 XB Rotterdam, the Netherlands
T +31 (0)10 280 84 00, F +31 (0)10 2808220
http://www.erasmus.nl/

DELTA LLOYD ASSET MANAGEMENT
P.O. Box 1000, 1000 BA Amsterdam, the Netherlands
Amstelplein 6, 1096 BC Amsterdam, the Netherlands
T + 31 (0)20 - 594 21 18, F + 31 (0)20 594 27 06
www.deltalloyd.nl/beleggen

CYRTE INVESTMENTS
P.O. Box 5081, 1410 AB Naarden, the Netherlands
Flevolaan 41a, 1411 KC Naarden, the Netherlands
T +31 (0)35 695 90 90 F +31 (0)35 695 90 44
http://www.cyrte.com/

DELTA LLOYD PROPERTY
P.O. Box 1000, 1000 BA Amsterdam, the Netherlands
Amstelplein 6, 1096 BC Amsterdam, the Netherlands
T +31 (0)20 594 35 01, F +31 (0)20 594 38 10
www.deltalloyd.nl/vastgoed

ABN AMRO INSURANCE
P.O. Box 10085, 8000 GB Zwolle, the Netherlands
Grote Voort 247, 8041 BL Zwolle, the Netherlands
T 0900 0024
www.abnamro.nl/verzekeren

OHRA
P.O. Box 40000, 6803 GA Arnhem, the Netherlands
Rijksweg West 2, 6842 BD Arnhem, the Netherlands
T +31 (0)26 400 40 40, F +31 (0)26 400 94 04
http://www.ohra.nl/

NATIONAL SAVINGS FUND

P.O. Box 10, 5140 BA Waalwijk, the Netherlands
Grotestraat 341, 5142 CA Waalwijk, the Netherlands
T +31 (0)416 68 47 00, F +31 (0)416 68 47 01
http://www.nationaalspaarfonds.nl/

DELTA LLOYD BANK
P.O. Box 231, 1000 AE Amsterdam, the Netherlands
Joan Muyskenweg 4, 1096 CJ Amsterdam, the Netherlands
T +31 (0)20 597 62 08, F +31 (0)20 597 63 08
www.deltalloyd.nl/bank

DELTA LLOYD BANK BELGIUM
Sterrenkundelaan 23, 1210 Brussels, Belgium
T +32 (0)22 297 600, F +32 (0)22 297 699
http://www.deltalloydbank.be/

DELTA LLOYD LIFE
Fonsnylaan 38, 1060 Brussels, Belgium
T 32 (0)2 238 89 23, F +32 (0)2 238 88 99
http://www.deltalloydlife.be/

DELTA LLOYD GERMANY
Wittelsbacherstrasse 1, 65189 Wiesbaden, Germany
T +49 (0)1803 990 90 00, F +49 (0)611 773 26 64
http://www.deltalloyd.de/

6.9 Contact

DELTA LLOYD GROEP

Corporate Communications
P.O. Box 1000, 1000 BA Amsterdam, the Netherlands
Amstelplein 6, 1096 BC Amsterdam, the Netherlands
T +31 (0)20 594 49 63, F +31 (0)20 693 10 05
http://www.deltalloydgroep.com/