Annual report 2016

22 March 2017

delta lloyd

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Overview

Highlights

Solvency II ratio
143 %
+ **12pp** (2015: 131 %)

Shareholders' funds
3,185 Bn €
+ **24%** (2015: 2,569 Bn €)

Dividend
0.10 €
- **51%** (2015: 0.21 €)

Net IFRS-result
231 m €
+ **80%** (2015: 128 m €)

HoldCo net cash position
510 m €
+ **260%** (2015: -319 m €)

COR
105.4 %
+ **9.2pp** (2015: 96.2 %)

Value of new business
27 m €

Operational expenses
589 m €
- **5%** (2015: 619 m €)

Net capital generation
172 m €

IFA satisfaction*
#1
(2015: #1)

NPS Delta Lloyd**
-13
(2015: -18)

Number of employees
4,579
(2015: 4,739)

Employee engagement
69 %
- **6pp** (2015: 75 %)

Assets under management
71 Bn €
+ **1%** (2015: 70 Bn €)

Sustainable investments
3.63 %
(2015: 1.81 %)

* For pension products. See our non-financial appendix for all IFA product ratings.

** For Delta Lloyd (consumers). See non-financial KPIs for all NPS scores.

Message from the chairman

Transition, adapting and strengthening characterised 2016. During the year, we successfully executed a range of actions to strengthen our capital and cash positions. We made good progress on initiatives to improve our client focus, business performance and reduce costs. However, we operate in a difficult environment, with margins consistently under pressure, interest rates at record lows and challenging regulatory developments.

While we made good progress on implementing our Closer to the Customer strategy and management priorities, in October NN Group publicly announced their intention to make an offer for Delta Lloyd. We rejected the initial offer, but reached out to NN Group to discuss the possible combination of our two companies. At the same time, we investigated other strategic options, including a stand-alone scenario. On 22 December, NN Group improved its offer both in financial and non-financial terms. After due and careful consideration, our Executive and Supervisory Boards decided to recommend this improved offer to our shareholders. We believe it is in the best interest of Delta Lloyd and its stakeholders. It will create a leading insurance and pension company in the Dutch market, with a strong presence in Belgium and an attractive proposition in asset management and banking. NN Group's offer provides a certain cash premium for our shareholders. We have decided not to pay a final dividend for 2016, as any dividend would reduce the purchase price of € 5.40 per ordinary share.

Good progress on management priorities of capital, performance and customer

Given these circumstances, 2016 was a year of mixed results. We successfully executed our capital plan and substantially improved our cash position. We were pleased that our shareholders supported the € 650 million rights issue in the first quarter. Additionally, we delivered on management actions including the sale of our shareholding in Van Lanschot and strengthening our balance sheet. We are well on track for the implementation of the Partial Internal Model (PIM). However, during the fourth quarter, our capital position was negatively impacted by adverse longevity development and DNB guidance on on the loss absorbing capacity of deferred taxes (LAC DT) to the industry.

Consequently, at year-end our Solvency II ratio was towards the lower end of our target capital range. Our business performance continued to be a priority, with Life Insurance margins under pressure, although in Belgium our protection business delivered strong margins. A disappointing combined ratio in General Insurance reflected the impact of exceptional weather in June. Our asset management and banking business contributed modestly to the operational result. Our operational expenses were well below our target for 2016. We have lowered our 2018 expense target and have taken action to structurally improve the technical results in Life and GI. We expect to see the results of these actions in 2017.

We aim to be the preferred insurer for our customers and business partners and in 2016 most of our Net Promoter (NPS) and customer satisfaction scores increased among individual and commercial customers. Intermediaries again chose Delta Lloyd as the best pensions provider in the Netherlands. This is the fifth consecutive year. We are very proud of this, especially given the challenges we have faced in recent years.

The high level of our service was apparent in the days and weeks after exceptional rain and a hailstorm in the south of the Netherlands last summer. The damage to the area was enormous and companies and farmers were especially hard hit. After the storm, Delta Lloyd employees, often in cooperation with third parties, moved swiftly and decisively to help affected customers with personal attention and additional repair capacity.

We were pleased to receive a licence for a general pension fund (APF) in 2016. This new activity in a sizeable market will help building profitable volume and create value.

Sustainable insurer

We want to support our customers – and society – in a responsible and sustainable way for the longer term. We contribute to the United Nations' Sustainable Development Goals, for example by insuring offshore wind farms and encouraging responsible investment in companies with sound environmental, social and governance practices. In 2016, we successfully introduced the innovative Delta Lloyd ESG Fund, which has been voted the best ESG fund globally by independent research firm AF Advisors.

Our people are our strength and they play a key role in realising our strategy. Last year, our employee engagement score decreased, which is hardly a surprise in a year characterised by change, transition and uncertainty. It is therefore essential that we continue to develop and empower and retain our employees, especially in these circumstances. On the other hand, I am proud of what we have achieved as a team and delivered for our customers in 2016.

Care for our customers extends beyond our insurance products. Our community involvement is most evident through the activities of Delta Lloyd Foundation which aims to promote financial self-reliance, especially by helping low-income households get rid of their long-term debt. As a life and pension insurer, we are actively raising awareness of the financial and social challenges of retirement, an issue that affects everyone, not only our customers. In this way we try to make a difference in society and create value for people and the planet. Our efforts were recognised again in 2016 with inclusion in the Dow Jones Sustainability Index.

Consolidation

That said, consolidation of the Dutch insurance sector is inevitable. This is a highly competitive, mature market with constant pressure on margins for both life and general insurance products. As I've already mentioned, the macro and regulatory environments also remain challenging. To deliver acceptable margins and make ongoing investments requires organisational agility and scale benefits to deliver acceptable margins. We are therefore recommending the acquisition by NN Group to build a new combined company. It wasn't a decision we took lightly. By joining forces with NN Group we will be stronger in all our markets and our customers will benefit from a solid capital position and excellent capabilities for innovation and product development.

Unfortunately, our well respected Delta Lloyd brand will disappear and the combination of the two companies will result in uncertainty for employees and job losses. We will do everything we can to provide our people with a new perspective and opportunities within the new company or elsewhere.

I would like to thank all our customers, business partners, investors and employees for their continued support over the years.

Hans van der Noordaa

Chairman of the Executive Board

About Delta Lloyd

Delta Lloyd provides life and general insurance, pensions, asset management and banking products and services to 4.2 million customers in the Netherlands and Belgium. We distribute these through a diverse range of channels. Our four well-known and respected brands are Delta Lloyd, OHRA, ABN AMRO Insurance and Be Frank.

We employ 4,579 staff, of which 3,970 permanent and 609 temporary employees. Of these 458 are based in Belgium, including 19 temporary staff. Delta Lloyd is listed on Euronext Amsterdam and Brussels.

Our brands

In the Netherlands, we sell life and general insurance under the Delta Lloyd, OHRA and ABN AMRO labels, while BeFrank is a premium pension institution (PPI) that provides innovative group pensions at relatively low cost. Delta Lloyd products and services are distributed to customers through independent financial advisors, authorised agents and brokers, while OHRA insurance products are sold directly to retail customers. ABN AMRO insurance products are provided through our joint venture partner ABN AMRO bank.

In Belgium, we primarily sell Delta Lloyd life insurance through intermediaries such as insurance brokers, banks and specialist consultants.

Our products and services

Our life insurance products include pensions and administration services for group customers and traditional and unit-linked life insurance, savings products and financial planning for individuals. These products are sold via independent intermediaries, but also via online channels.

General insurance coverage includes motor vehicles, fire, liability, income protection and specialist areas such as pleasure boats and offshore wind parks. Delta Lloyd and OHRA also distribute health insurance products underwritten by CZ.

Our Dutch banking activities mainly centre around mortgage loans and savings products.

Delta Lloyd Asset Management independently manages and invests Delta Lloyd 's assets and those of our policy holders and offers discretionary mandates for institutional customers and a range of investment funds for institutional and retail customers.

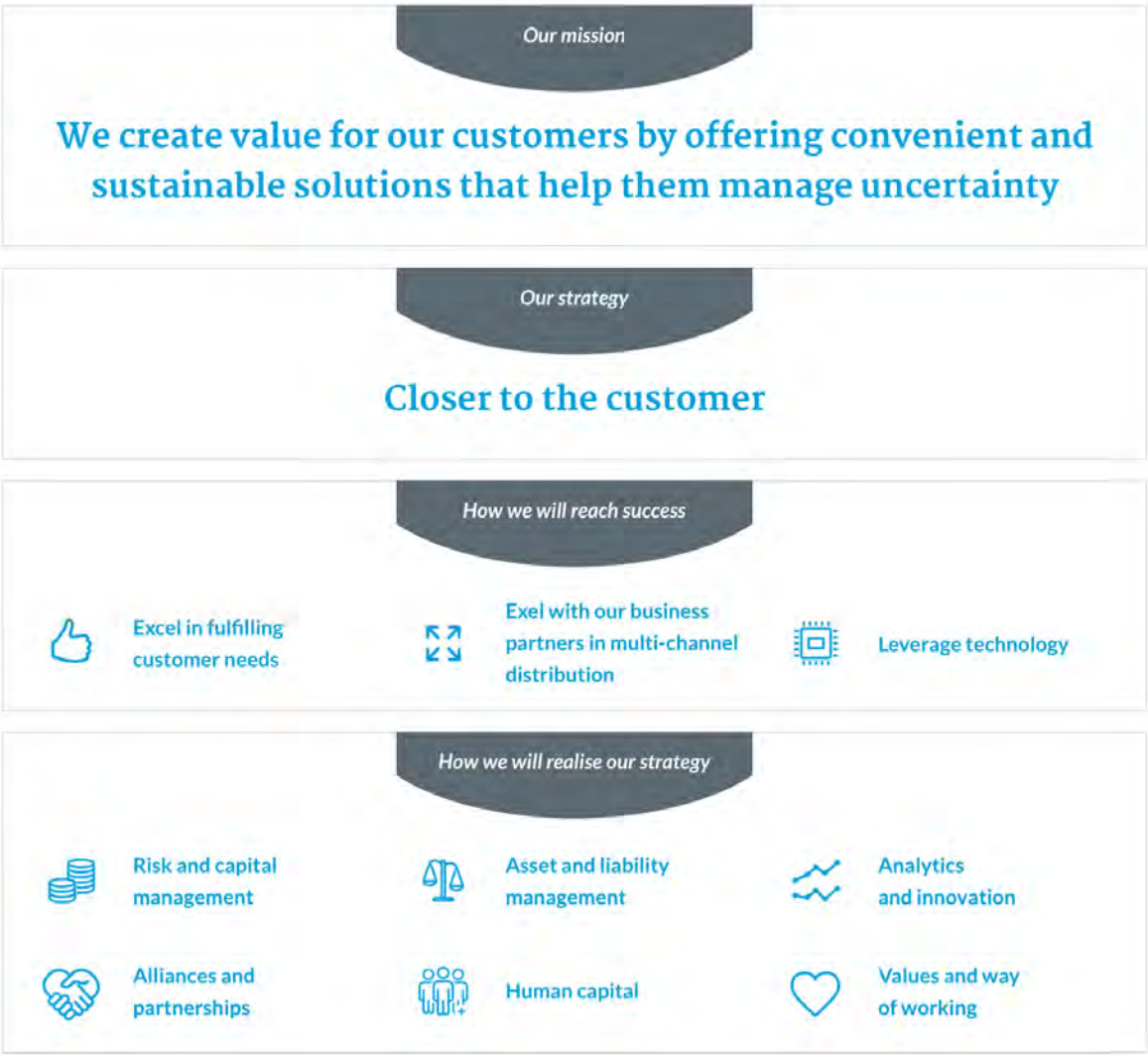
Our strategy

Delta Lloyd creates value (see our value creation model) by providing reliable and highly valued financial services, with a focus on insurance. This is based on understanding what customers want, meeting their needs and delivering excellent service. We distribute our tailored, customer-focused products and services through multiple channels.

Delta Lloyd's strategy plays in to long-term industry trends and the changing regulatory environment in which we operate. Our 'Closer to the customer' approach focuses on customer satisfaction and retention, technology and efficiency. This will enable growth in our core Dutch and Belgian markets, reduce costs and create value for all our stakeholders, including our shareholders. It is our objective to deliver customer-focused, profitable and capital-generative new business.

Integrated in this strategy is our goal to create sustainable value. We take a sustainable and responsible approach to doing business in a way that creates long-term value for our shareholders, our customers, our employees and society as a whole. Our strategy incorporates sustainability into our core insurance and investment activities. It is based on three pillars: responsible insurance, responsible investments and the activities of the Delta Lloyd Foundation. Underpinning these are a responsible organisation with sound environmental, social and governance (ESG) principles.

We target 'value over volume' – stable and high margins rather than volume growth. Our business model is increasingly driven by fees such as those generated from our asset management activities and BeFrank. We focus on lower risk and less volatile products that have a higher Solvency II risk-adjusted return and generate capital. This means a shift to capital-light life insurance products such as defined contribution pension schemes, premium pension institutions (PPIs) and general pension funds (APFs) in the Netherlands, and unit-linked and protection products in Belgium. Our general insurance products generate capital and offer the Life business diversification benefits. In banking we concentrate on savings products and mortgages with relatively low loan-to-value and long fixed interest rate durations.



Our 'Closer to the Customer' strategy creates value through understanding our customers and their evolving needs; seamless multi-channel interaction with our distribution partners; and leveraging technology to improve processes and digitise customer experiences. In addition to strengthening our capital position, our management priorities are to further improve our commercial and operational performance and be the preferred insurer for our customers and business partners.

To realise our strategy we have identified six enablers:

Strategy enablers and key performance indicators

Enabler		Financial KPIs	Non-financial KPIs
	Asset and liability management The move to a fee-driven business model relies on effectively evaluating risk-return ratios under Solvency II and managing our own and third-party assets. Our asset management business has essential experience in these areas, which are a critical contributors for profitability.	Assets under management Holding company cash	Sustainable investments
	Risk and capital management A strong solvency position is essential, particularly for Solvency II. To this end, more of our business is becoming fee-driven and we are shifting to lower risk, less volatile products and capital-light life insurance products such as defined contribution pension schemes. Cost reduction and operational excellence remain priorities.	SII ratio Net capital generation Dividend per share	Position in DJSI
	Analytics and innovation Data-driven decision-making is crucial for successfully meeting customer needs. Innovation helps us fulfil those needs and enhance our multi-channel distribution. We look for good, innovative ideas in the market and implement them in our organisation.	Life VNB COR	NPS Customer centricity
	Alliances and partnerships Critical scale in our core markets is necessary to operate efficiently and provide high service levels to our customers and distribution partners. Where we don't yet have critical scale we use our distribution networks and partner with others to offer customers complementary products and services. Examples are our distribution partnership with CZ for health insurance products, and our partnership with Voogd & Voogd for retail general insurance products.	Life VNB COR Operational expenses	NPS Customer centricity
	Values and way of working We take a sustainable and responsible approach to doing business. We have become more agile and innovative and reduced the complexity of our operations. Furthermore, we incorporate sustainability into our core insurance and investment activities. It is based on three pillars: responsible insurance, responsible investments and the activities of the Delta Lloyd Foundation.	Assets under Management SII ratio	Sustainable investments Households with renewable energy Position in DJSI

	Human capital It is essential that we attract talent and develop, empower and retain our employees. Our people are our strength. Strong workforce planning ensures our employees' competencies are aligned with our strategy.	Operational expenses	Engagement % women in management Absenteism

Our environment

The environment we work and live in, influences us as people and as a company. Delta Lloyd pays close attention to its environment and the different longer term trends that impact our business.

One obvious trend is climate change. This is a global threat that could have a potentially significant negative impact on our industry. It increases the risk of more extreme weather conditions such as storms or floods that can cause substantial damage. This puts pressure on insurers' margins and could lead to higher general insurance costs for consumers and businesses. We contribute to reducing climate change by insuring renewable energy sources such as offshore wind parks. We help customers with preventive measures that limit climate-related damages and keep their businesses going after a natural calamity. As an investor we try to influence the companies we invest in to be more sustainable and we support companies that contribute to a cleaner climate. We have sustainable business models, for instance through our ESG fund.

Closely related to this is the rise of a more sustainable, circular economy in which commodities are shared rather than owned. This will impact consumption and production. Sharing encourages less consumption, which uses less of the earth's scarce natural resources for manufacturing. It will also create new economic models in which money and traditional financial services providers are replaced by alternatives such as co-financing (crowd-sourcing), shared risk-taking and bartering. In 2016, OHRA introduced Clixx, a short-term insurance for vehicles loaned to friends or family.

Customers and technology

This is part of a larger technology-driven trend that is empowering consumers to take their finances into their own hands and increasing demand for products tailored to fit their individual needs. One-size-fits all products will no longer suit customers in a highly-digitalised world. The way people work and the types of jobs they do will change dramatically, widening the gap between the have and have-nots and putting pressure on already-stretched government purses and social welfare. This creates opportunities for new types of products to help people plan and pay for their own retirement when the state can no longer afford to.

Technology is changing the way insurers interact with customers – something we are already experiencing. Our contact with customers is increasingly digital rather than face-to-face. In addition, the acceleration of applied technology is raising customer expectations around service delivery and the quality of processes. This will create more need for extreme efficiency and for automation. It generates huge amounts of data that insurers can use to assess risks more accurately but this demands extra vigilance and high levels of security to protect customer privacy.

New players and changing demographics

Yet another trend we foresee is the rise of disruptive new players in the insurance sector. As with many changes, this too is technology driven. Automation and digitalisation have lowered the entry barriers for these parties to enter the market and challenge traditional insurers with innovative business models. On the other hand, insurance companies can team up with FinTech companies to realise opportunities and come up with new concepts. Technology has introduced new types of risks such as cybercrime and software failures in self-driving cars, for example.

An ongoing and long-term trend that will influence life insurers is the changing demographics reflected by better health and healthcare. This will increase life expectancy even further, making a defined benefit pension system too expensive and requiring new ways for people to fund a potentially longer retirement.

How we create value

Value creation model

As a company, we are part of a broader context. Our business is impacted by global trends and developments (see section Our environment). In turn, Delta Lloyd affects the lives of different people in different ways.

We create value for our customers by helping them manage uncertainty, now and in the future. Our 'Closer to the customer' strategy plays into long-term industry trends. It focuses on meeting customer needs with tailored, convenient and sustainable products and services through multiple distribution channels.

We create value for our employees by being a good employer and creating a workplace where they are engaged and work with enjoyment. Our people are our greatest asset and we help them to continually develop the skills they need to do their jobs with confidence and expertise.

For our shareholders, we aim to make profit and pay a dividend. We add value for society and our stakeholders through our services, our community engagement, our responsible investment practices and by being a good employer. We link our goals to the sustainable development goals (SDGs) of the United Nations. Please see section Delta Lloyd's contribution to the UN SDGs for more information about Delta Lloyd's ambition on these global goals.

Input (What goes into our business model)

As an insurer our input is largely financial. However, we could not operate without our human capital, people. Feedback from our customers and over 200 years of insurance experience enable us to provide optimal service and products.

Business model (What we do and how)

Our 'Closer to the customer' strategy aims to create value for our customers by offering convenient and sustainable solutions that help them manage uncertainty. With our strong brands we deliver tailored, customer-focused products and services through multiple distribution channels in the right way and at the right time. We use technology, such as social media and WhatsApp, to enhance our understanding of customer needs and provide an excellent customer experience.

Output (What comes out of our business model)

In addition to our own financial results and capital position, Delta Lloyd's business leads to satisfied customers, responsible investments and engaged employees, among many others. We structure these outputs along three pillars: capital, performance and customers.

Impact (The value that we create for society)

Delta Lloyd's impact goes beyond profit or the dividend we pay to shareholders. We add value to society and to all our stakeholders through our services, community engagement, responsible investment practices and by being a good employer.

Sustainability and taking a responsible approach in the way we do business so that we create long-term value are key aspects of our revised corporate strategy.

Input

Financial capital

1.9 € Bn
total debt

3.2 € Bn
shareholders' funds

Intellectual capital

200 years
of insurance experience

Adequate and well integrated risk management; implementation Partial Internal Model on track

Human capital

3,970 employees
of which 42% is female

Annual investment of
7.9 m €
in training and development

Social and relationship capital

Stakeholder dialogues

4.2 m
customers

Business Model

We create value for our customers by offering convenient and sustainable solutions that help them manage uncertainty.

- Excel in fulfilling customer needs
- Multi-channel distribution
- Leverage technology

- Risk and capital management
- Asset and liability management
- Analytics and innovation
- Alliances and partnerships
- Human capital
- Values and way of working

delta lloyd

OHRA

BE FRANK

ABN AMRO Verzekeringen

Output

Capital

172 m €
Net capital generation

143 %
Solvency II ratio

0.10 €
dividend per share

Performance

3.63 %
sustainable investments

IFRS net result
231 m €

589 m €
operational expenses

4.2 %
absenteeism

Customer

#1 IFA
performance*
*Group life IFA

NPS Delta Lloyd
-13
(2015: -18)

AuM
71 Bn €
100% ESG responsible

GWP
3.7 Bn €
€ 3.8 Bn € claims paid

Impact

Shareholders

Dividend
We aim to pay a stable annual dividend, supported by underlying capital generation. In 2016, we paid out € 46m.

Strong capital management
Capital management is fundamental to our business. The way we manage, plan and allocate our capital resources must best serve all our stakeholders and enable us to fulfill our obligations to them.

Employees

Good employer
We have a shared responsibility with our employees to ensure they have the right skills and abilities to continue doing their current jobs or obtain a new job.

Engaged workforce
An engaged workforce that works with enjoyment and confidence contributes positively to customer satisfaction.

Customers

Manage uncertainty
To create value for our customers we provide products and services that are comprehensive, secure, cost-efficient, useful and help them manage financial uncertainty.

Society at large

Tax follows the business
A coherent and responsible taxation policy is an important part of our responsibility as a financial organisation.

Responsible investment
We base our investment decisions on environmental, social and governance (ESG) factors. We believe this mitigates downside risks, brings healthier profits and enables us to facilitate the transition towards a more sustainable society.

DLF
Delta Lloyd Foundation (DLF) is committed to combating poverty in five cities where Delta Lloyd has offices. By 2020, 11,625 households with ongoing debt problems will be able to properly administer their spending, have sufficient knowledge and understanding of financial matters, generate their own income and manage their outgoings.

Delta Lloyd's contribution to the UN SDGs

Delta Lloyd wants to create long term value with our core activities. This means we look at relevant societal themes for people and the planet, and determine how we can best use the strengths of our company to contribute. This is our norm. We are guided by the United Nations' sustainable development goals to end poverty, protect the planet and ensure prosperity for all.

Our main goals and actions:

- The Delta Lloyd ESG Fund, which has assets under management of over € 2 billion, is a top-scoring investment fund in the global sustainability sector.
- We are the only large Dutch insurer of offshore windmills.
- By insuring offshore wind farms, we contributed to generating sustainable energy for an equivalent of 2.2 million households in 2016
- We initiated a pilot programme with Dutch employers to raise pension awareness among their employees.
- Delta Lloyd Foundation was named in a 2016 PwC report as a 'best practice' of a listed company working with the UN SDGs.

Please see our website for more information on Delta Lloyd and the SDG's.

Our goals and actions

Delta Lloyd vs UN Sustainable Development Goals

	1 NO POVERTY	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	13 CLIMATE ACTION	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS
What is the purpose of this Sustainable Development Goal?	End poverty	Ensure good health and well-being	Ensure quality education and lifelong learning	Achieve gender equality and empower women	Ensure access to affordable, reliable and sustainable energy	Promote decent work and economic growth	Take action to combat climate change	Promote just, peaceful and inclusive societies	Partnerships for sustainable development
How is Delta Lloyd contributing to this SDG?	'Debt to Opportunity' coalition with other large Dutch companies and creditors	Increase customer and employee awareness of pensions and the financial and non-financial aspects of retirement	Provide training for employees	Participate in the 'Talent to the Top' charter Minimum of 30% female managers	Insure offshore wind farms Lower CO2 emissions from our offices and vehicles	Invest responsibly and sustainably in companies with sound labour practices, human rights and good governance	Don't invest in coal CO2 emissions are 50% less than MSCI benchmark Investment policy increasingly focused on renewable energy Reduce own CO2 emissions	Apply ESG criteria to investment policies Focus on good governance	Member of NL COP21 Climate coalition Member of several sustainability platforms. An active member of DNB's Sustainable Finance working group

Stakeholders and materiality

Delta Lloyd values its relations with stakeholders, who keep us updated about their needs and expectations. This enables us to follow the right course for all parties involved. During the year, we have regularly met with stakeholders and we will continue to do so. By looking into impactful themes we regularly explore who we should engage with. When considering this dialogue we base our choice on the impact, scope and expertise of the stakeholder.

We distinguish between external and internal stakeholders, the latter being management and employees. External stakeholders comprise our customers, business partners (independent financial advisors and partners such as ABN AMRO and CZ), shareholders, intermediaries, NGOs, regulators and government bodies and society as a whole. Our Executive Board is often involved in these stakeholder dialogues, given their importance to our organisation.

In 2016, we organised several meetings to discuss the pillars of our strategy and sustainability-related topics, especially in working groups with NGOs and governmental bodies. Climate and risks were important topics that were discussed. We asked stakeholders for their suggestions and ideas on how we can improve our contribution. The outcomes were shared across the organisation and we dedicated more attention to the way we communicate about this internally and externally. Several times a year we organise a so-called Dialogue Board, which brings together various stakeholders (business, government, knowledge institutions and NGOs) to discuss relevant and topical issues. This gives us the opportunity to better understand trends and needs in society. The sessions offer the participants a platform where they can share their views, knowledge and experience and use their combined thinking power to address pressing issues in a closed and confidential setting. The following topics were discussed by the dialogue board this year: financial inclusion, closer to the customer, employee engagement and climate change.

The following table summarises the way of engagement, frequency, main topics discussed and the action or outcome that resulted from the dialogue with our stakeholders in 2016.

Stakeholder engagement

Stakeholder	Engagement	Frequency	Topics discussed	Outcome
Customers	Client panels, client surveys, social media, personal interaction, complaints management	Continuously	Products and services, customer service, communication management, complaints management.	Improve products and customer processes, to achieve greater customer satisfaction.
Companies (corporate clients)	Personal interaction, Online account management, knowledge sessions, panels	Continuously	Legislative changes, customer satisfaction, product improvements, assets, capital position, complaints management, working conditions.	Product and process improvements. To be a solid and professional pension provider.
Independent financial advisors	Online account management, events (workshops, webinars, seminars, trainings), personal interaction, knowledge sessions, panels	Continuously	Products and services, customer satisfaction, portfolio management, capital position, new propositions, product innovation, legislative changes.	Stimulate good cooperation to achieve greater satisfaction among IFAs and ultimately greater customer satisfaction.
Business Partners	Daily working relationship	Continuously	ABN AMRO: online migration of insurance activities, product improvements, developing new products. CZ: positioning of the labels (CZ, Delta Lloyd and OHRA), approach to the discussion around the Dutch healthcare model.	Continue offering distinctive services and successful cooperation. Play a role in society as a health insurer (CZ).
Companies we invest int	Annual general meetings	Annually	Voting items at general meetings.	Influence a given company's policies. Promote value through responsible, sustainable, consistent and transparent voting behaviour.
	Constructive dialogues	Regularly	Delta Lloyd's social responsibility as an investor; financial and sustainable returns.	Improve short- and long-term (sustainable) performance of companies we invest in.

Stakeholder engagement

Stakeholder	Engagement	Frequency	Topics discussed	Outcome
Employees	Online engagement dialogues, interactive town hall meetings, employee engagement survey	Continuously	Capital strategy, collective labour agreement, work pressure, customer centricity, customer satisfaction, future of Delta Lloyd.	We share a responsibility with our employees to ensure they are engaged, work with enjoyment and confidence. And to make sure they have the right skills and abilities for their roles or to move into new jobs.
Shareholders	Bilateral and group meetings, conferences, analyst and press calls General meeting Presentation of annual and half-year results, calls for Q1 and Q3.	Continuously Annually 4x a year	Strategy, financial and operational performance (solvency, capital plan including rights issue), cost reduction, capital generation, PIM, organisational changes, outlook.	Align, inform and engage shareholders during the year, based on externally disclosed data and in preparation for shareholder meetings (AGM/EGM).
Regulators	AFM, DNB (the Netherlands) NBB, FSMA (Belgium)	Regularly	Solvency II, PIM, capital, strategy, business model, customer centricity, sustainable finance.	Comply with regulators, reach mutual understanding. Obtain support for business.
Government bodies	Ministries, politicians, national trade associations	Regularly	Pending changes to legislation, consolidation of the insurance sector, sustainability (e.g. climate).	Reach mutual understanding. Obtain support for business.
NGOs	Various organisations such as Oxfam Novib, PAX, Amnesty International	Continuously	Sustainability, human rights, investment policy, corporate governance, transparency.	Reach mutual understanding and work on a covenant on sustainable insurance together. Obtain support for business.
Society	Community involvement with the Coalition against Debt and BASTA platform. Sponsoring water sports	Regularly	Fighting poverty caused by debt, preventing debt, alleviating poverty. Develop young talent, sponsor top athletes.	Play a meaningful role in society. Education on financial problems / financial education.

Stakeholder engagement				
Stakeholder	Engagement	Frequency	Topics discussed	Outcome
Others	Various organisations such as the: Dutch Banking Association (NvB), VvV, Unions, workscouncil, Association of Investors for Sustainable Development (VBDO), CSR Netherlands (MVO NL) and Eumedion	Regularly	Improving sustainability performance, investment policies, carbon emissions, corporate governance.	Reach mutual understanding and work on a covenant on sustainable insurance together. Obtain support for business.

Material matters are those topics that are most important to Delta Lloyd and to our stakeholders. Several of the topics we discussed with our stakeholder are also deemed material for Delta Lloyd. As such, these are themes that could influence our business decisions and those of our stakeholders. To gain more insight into the topics that are most important we carried out a materiality analysis similar to the one we did in 2015 to identify matters that substantively affect our ability to create value.

Materiality assessment

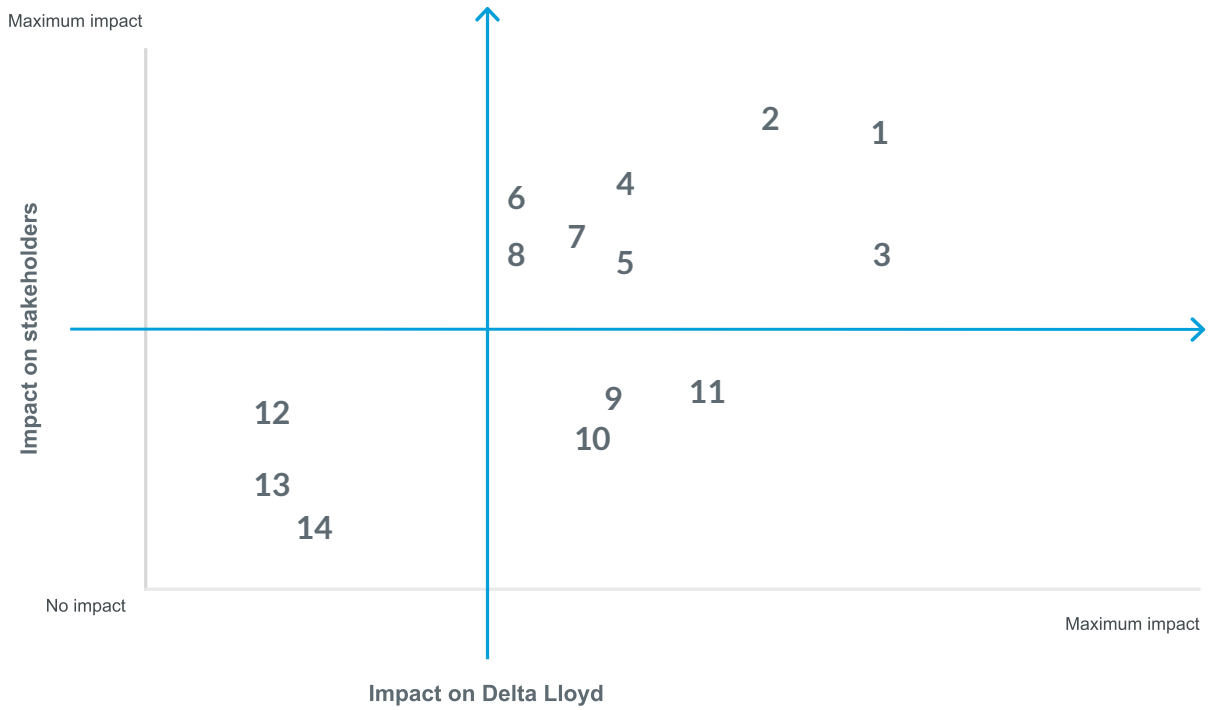
Material matters are those topics that are most important to Delta Lloyd and to our stakeholders, based on their impact and the value they create. As such, these are themes that could influence our business decisions and those of our stakeholders, including our customers, employees, investors, business partners and intermediaries. In 2015, we carried out a materiality analysis to identify matters that substantively affect our ability to create value. In 2016, we reassessed the material topics identified in the prior year. We re-evaluated their relevance with internal experts and considered what our peers deem to be important. Based on this, we drew up an updated shortlist of 14 topics. Each of these themes is connected to our strategy and has the support of members of the ESG board and the Executive Board for inclusion in the materiality matrix.

Furthermore, to determine what is most important to external stakeholders we analysed documents outlining the main outcomes of our dialogue with stakeholders. In an internal session, we evaluated the impact of this analysis on the material topics.

Based on these results we created a new materiality matrix. The topics on the horizontal axis are most relevant to Delta Lloyd; those on the vertical axis are most relevant to our stakeholders. The topics in the top right corner of the matrix are important to both and are therefore considered material.

The themes identified in 2016 as being material to both Delta Lloyd and our stakeholders were:

Materiality matrix Delta Lloyd 2016



1. **Risk management:** See section Risk management for a further description of this material topic.
2. **Law and regulation:** See section Risk management for a further description of this material topic.
3. **Online distribution:** See section Online and digital for a further description of this material topic.
4. **Customer centricity:** See section Customers and for a further description of this material topic.
5. **Customer satisfaction:** See sections Customers and Net Promoter Scores for a further description of this material topic.
6. **Transparency:** See section Delta Lloyd in 2016 for a further description of this material topic.
7. **New technologies:** See section About Delta Lloyd for a further description of this material topic.
8. **Responsible investment:** See section Responsible investment for a further description of this material topic.

The following topics are not material for external stakeholders. However, Financial performance and Climate change are deemed very important in terms of their impact on Delta Lloyd (the internal perspective) and are therefore included in this report.

9. **Climate change:** See section Our environment for a further description of this topic.
10. **Pension system:** See section Life insurance for a further description of this topic.
11. **Financial performance:** See section Financial and operational performance for a further description of this topic.

12. **Societal role of insurance:** See sections Life insurance and General insurance for a further description of this topic.
13. **Sustainable employment:** See section Human capital for a further description of this topic.
14. **Employee engagement:** See section Human capital for a further description of this topic.

Delta Lloyd in 2016

In many ways 2016 was a challenging year for Delta Lloyd. While we made good progress in implementing our Closer to the Customer strategy and our cash position substantially improved, our capital position was negatively impacted in the fourth quarter. This was due to adverse longevity development and DNB guidance to the industry on the loss absorbing capacity of deferred taxes (LAC DT). Consequently, our Solvency II ratio at year-end was 143% (2015: 131%).

Our operational performance continues to be a priority, with a disappointing Life SII VNB of € 27 million and a COR of 105.4%. However, we outperformed on our operational expenses target for 2016, revised down further our 2018 expense target and we have taken action to structurally improve technical results in Life and General Insurance, including pricing, product design and exiting unattractive and unprofitable business segments.

In December 2016, Delta Lloyd Algemeen Pensioenfonds (APF) received its licence to operate a general pension fund.

Consolidation

Delta Lloyd operates in a highly competitive, mature market, where margins on both life and general insurance products are consistently under pressure. Organisational agility and scale benefits are necessary to deliver acceptable margins and make ongoing investments. In addition, the regulatory and macro environment remains challenging with volatile markets, record low interest rates and low yields. As such, consolidation in the Dutch insurance market is inevitable.

Following an intense three-month period, NN Group and Delta Lloyd announced on 23 December 2016 that they had reached a conditional agreement on an improved recommended public offer for the entire issued and outstanding ordinary share capital of Delta Lloyd. NN Group initially approached us in September 2016 with a conditional proposal to acquire all outstanding and issued shares of Delta Lloyd. After NN Group announced the offer on 5 October, we rejected the offer as it did not form an acceptable basis for a transaction. In the weeks that followed, we actively explored the combination of our business with two other companies and a stand-alone scenario. Once NN Group increased its offer however and agreed to certain non-financial covenants regarding corporate governance, post-closing legal merger, strategy, organisation, integration and employees, we accepted their offer. The offer price of € 5.40 (cum dividend) represents a premium of approximately 38% relative to the average closing price during the last month prior to the initial announcement and a premium of approximately 55% relative to the average closing price during the last three months prior to the initial announcement.

We recommend shareholders vote in favour of the offer and all resolutions at the EGMs to be held on 29 March 2017. Both the Executive and Supervisory Boards of Delta Lloyd support and recommend the improved offer. We believe that the combination of the Dutch and Belgium activities of both companies will result in an overall stronger platform within the Benelux from which to provide enhanced customer propositions and generate shareholder return. The combination will have a robust balance sheet and an improved solvency ratio.

Customers

Delta Lloyd's strategy centres around customers. Customer satisfaction is a material topic for us. Our ambition is to become the most customer-oriented insurer in the Netherlands by 2020. To make sure we meet their expectations we interact with our customers and use their feedback to improve our products and services. We manage their complaints and engage customers in an active dialogue when they fall behind on their payments. We want to excel in customer care. This includes providing clear and transparent information and ensuring our customers understand our products. We make sure our products are secure, cost efficient and useful. We carry out customer surveys on a continuous basis. These are performed by external partners. Customer satisfaction improved in 2016. Most net promoter scores (consumers) for Delta Lloyd and OHRA were higher. Appreciation for our pensions service was also higher among employers, although we noticed a small decline among individual Life and Bank customers. For the fifth consecutive year, intermediaries and financial advisors rated us the number one pension provider in the Netherlands.

For more information about our net promoter score (NPS) and customer satisfaction please see this section.

Product approval and review

We want to offer our customers relevant products they understand. We review our products every two years and improve them where necessary. Specific commodity products are reviewed every three years and inactive products every four years (these are products we no longer sell, but that are still running). This is a structured product approval and review process (PARP), in accordance with Dutch Financial Services Act.

The PARP review assesses whether the product meets the needs of customers and does what it should. It's also important that customers can easily understand the product. A working group from the business units meets several times in a year to discuss the outcomes of the reviews, progress on improvements and share knowledge. Each business unit is responsible for implementing its own product improvements.

Online and digital

One of our material topics is online distribution and new technologies. Therefore our focus on digital business is increasing; we are improving our digital interactions with customers and independent financial advisors at each touchpoint on their customer journeys. We make every effort to enhance our online platform to improve customer satisfaction, provide more self-service opportunities for customers and business partners, reduce our paper use and increase efficiency. We worked hard to increase customer satisfaction and improve the quality of our self-service offering for customers and advisors by upgrading our digital touchpoints and channels in 2016. We introduced WhatsApp for customer communications, revamped the deltalloyd.nl consumer website and expanded the 'My Delta Lloyd' portal. This approach is in line with our strategy to get closer to our customers. It's proven to be successful. By the end of 2016, 30% of customers used our digital services. We will now take further steps to raise the self-service level even higher and increase the frequency that customers use these digital routes.

Tough decisions

The year 2016 presented us with a few difficult situations, wherein we had to make some tough decisions. The announcement of a rights issue was a major event for us in 2016 and required us to address the dilemma of wanting to strengthen our solvency position as such, without having to ask our shareholders for the maximum amount of € 1 billion. We identified management actions which we could take, such as selling our stake in Van Lanschot and improvements to our asset and liability management. These measures would improve our capital position, thereby allowing us to lower the rights issue to € 650 million and still achieve the envisaged solvency ratio. As the majority of shareholders agreed with our reasoning, the rights issue was approved at our Extraordinary General Meeting on 16 March 2016. Shortly thereafter the rights issue was successfully executed for the amount of €650 million.

Another dilemma we faced early in 2016 was related to the use of a Partial Internal Model (PIM) for calculating our capital requirements under Solvency II. The use of an own developed PIM would always be preferred to using a standardized model, as the Standard Formula does not take into account the risks specific to Delta Lloyd. This has implications for our solvency ratio and increases the required capital buffers. However, in late 2015 we decided to abandon the PIM we were working on and switch to the standard formula instead. Though we had invested a lot of time and money to develop the PIM, at that time it had become clear the PIM would not be ready in time for implementation on 1 January 2016 when Solvency II would came into effect. This made the decision to return to the PIM in early 2016 even harder. However, we believe a PIM will be better tailored to our capital position. Based on feedback from the regulator and an external consultant we are adapting the PIM and investing substantially to improve it, so that it will meet the requirements for approval when we will resubmit it to the regulator in 2017.

Sustainability

We further integrated sustainability into our business lines in 2016, by impact thinking and through integrated reporting: we measure the impact of what we do. Examples of how we put sustainability into practice include Delta Lloyd's successful new ESG Fund, which invests in companies that meet strict sustainability criteria. We ran programmes to raise awareness on pensions and retirement (both financial and non-financial aspects). We measured the impact of our off-shore wind activities to show our contribution to society and climate change goals.

Sustainability was integrated into the new Customer, Brand and Digital department in 2016. The Sustainability team advises on setting the sustainability targets and reports on and monitors progress. The business divisions are responsible for putting sustainability into practice. The manager of the Sustainability team reports to the ESG Board, which sets Delta Lloyd's overall sustainability KPIs. The board meets quarterly, monitors progress and deliberates on sustainability issues that may arise. It is chaired by an Executive Board member and comprises the sustainability manager the heads of the business units and other senior managers. The ESG board embodies our vision on integrating responsibility and sustainability into our core business activities, and to measure the progress.

Key performance indicators

We measure our progress on the material topics that create long-term value for our stakeholders with a set key performance indicators that are linked to our goals. These are set out in the KPI table below. The results we achieved in 2016 are explained in the following sections.

In 2016, we started using a value dashboard to monitor progress on non-financial values.

Financial key performance indicators[1]

(in millions of euros, unless otherwise stated)	2016	2015	Change
Solvency II Standard formula (SF) ratio	143%	131%	12pp
Solvency II net capital generation	172	n.a.	n.a.
Holding company cash	510	-319	260%
Dividend per share in euro	0.10	0.21[2]	-51%
Gross operational result	915	940	-3%
Operational expenses	589	619	-5%
Net IFRS result	231	128	80%
Shareholders' funds after non-controlling interests	3,185	2,569	24%
Solvency II Life value new business	27	n.a.	n.a.
Solvency II NAPI	491	587	-16%
Combined ratio	105.4%	96.2%	9.2pp
GWP General Insurance	1,452	1,353	7%

1 KPIs are expressed after the effect of exceptional weather of € 40 million equivalent to € 30 million post tax

2 Based on the number of ordinary shares at 31 December 2016

Non-financial key performance indicators

	2016	Target	2015
NPS Delta Lloyd (consumer clients)[1]	-13	18	-18
NPS OHRA (consumer clients)[1]	9	18	-1
NPS AAV (consumer clients)[1]	-6	18	-5
Customer Centricity: comply with KKV quality hallmark	Comply	Comply	Comply
AFM Customer Centricity Dashboard[2]	3.8	Improve	3.5
Sustainable investments	3.63%	Increase	1.85%
Number of households supported with renewable energy	2.2 million	1.8 million	1.4 million
Employee engagement	69%	76%	75%
% women in management positions	33.3%	30%	35.1%
Position in Dow Jones Sustainability Index	Included - 79 pt	Improve	Included - 79 pt
Co_2 emissions (carbon footprint) of Delta Lloyd offices (in tonnes)	4.064	4.363	4.498

1 The target mentioned is a long -term target towards 2020. 2016 weighted average based on nr. of customers, OHRA 2015 weighted average based on nr. of respondents

2 The AFM dashboard has a 5 point scale. The Delta Lloyd scale is equal to the market average of all participating banks and insurers. The Delta Lloyd scale is equal to the market average of all participating banks and insurers

Capital management

SF solvency ratio

At 31 December, the SF solvency ratio was 143% (2015: 131%) which is towards the lower end of our target capital range of 140-180%.

Solvency II - Standard Formula

(in millions of euros)	2016	2015*
Available Own funds	4,483	4,039
Non eligible Own funds	481	118
Eligible Own funds	4,002	3,920
Solvency Capital Requirement	2,806	3,001
Surplus/Deficit	1,197	919
SF ratio	**143%**	**131%**

Over the year, the SF solvency ratio increased by 12pp to 143% reflecting the € 650 million rights issue (+27pp), management actions including the sale of our shareholding in Van Lanschot (+19pp) and net capital generation after exceptional weather (+8pp). These positive effects were partly offset by methodology and assumption changes, particularly mortality (-15pp), the change in LAC DT (-8pp), market and other movements (-12pp), the run-off of transitionals (-6pp) and interim dividend (-2pp).

The negative impact of methodology and assumption changes predominantly reflected adverse longevity development. In particular, this development included the implementation of the new industry mortality table for the total Dutch population published in September ('AG2016'), together with the update of our mortality experience assumptions reflecting our own portfolio. While both effects are adverse, i.e. increased life expectancy, the update of our mortality experience assumptions was the major driver. Our mortality experience assumptions are based on extended historic information and are increasingly influenced by the effect of large buy-out contracts sold between 2008 and 2013.

At year-end 2016, the risk margin benefit from the longevity hedge was excluded from solvency. We have fully explored the restructuring of the hedge to safeguard this benefit. However, we decided not to execute a restructuring due to the imminent implementation of the PIM.

In October 2016, we announced our intention to merge our Belgium and Dutch Life activities to deliver solvency benefits and economies of scale. While we have made good progress, we agreed with NN Group not to finalise the merger before completion of the acquisition of Delta Lloyd by NN Group. In the event this acquisition does not take place, it would still be our intention to proceed with the merger. This would have an estimated impact of +7pp[1] on our SF solvency ratio.

Partial Internal Model

The implementation of our Partial Internal Model (PIM) is well on track. Possible benefits of the PIM include a reduced solvency capital requirement (SCR), reduced risk margin and improved LAC DT, to be realised from January 2018, the targeted implementation date. A 2015 industry review among peers showed a potential solvency uplift of 10-15%[2] compared to the standard formula approach. We have rebuilt our risk calibrations reflecting industry practice and feedback from DNB. We plan to submit our application for regulatory approval no later than 30 June 2017. Shortly after completion of the acquisition of Delta Lloyd by NN Group, we will inform the market should any adjustments to the submission be necessary.

1 Pro forma estimate at year-end 2016 of +7pp being greater than +5pp pro forma at half-year 2016 announced in October, reflecting largely greater contribution from non eligible capital.

2 Based on analysis of comparable peer group during 2015 and not necessarily indicative of uplift for Delta Lloyd. Subject to regulatory approval

Net capital generation

Solvency II net capital generation was € 172 million, after the impact of exceptional weather of € 30 million, equivalent to underlying net capital generation of € 202 million.

Net capital generation, by segment

(in millions of euros)	2016
Total net capital generation	**172**
Life	247
General Insurance	-27
Asset Management	5
Corporate & other activities	-53

Our reported Solvency II net capital generation reflects economic conditions at the end of 2015. We expect our net capital generation going forward to be adversely impacted by ongoing low interest rates as well as the effect of our de-risking program and lower market credit spreads.

Holding company cash

Holding company cash has increased to € 510 million (2015: € -319 million), reflecting the rights issue, management actions and cash remittances from our businesses. Total remittances from the businesses increased to € 243 million (2015: € 196 million), although Delta Lloyd Leven did not pay a dividend in 2016, reflecting a solvency position below its target risk appetite. HoldCo expenditures were considerably lower in 2016, reflecting inter company tax settlements and a higher external cash dividend in the prior year. HoldCo costs were higher in 2016, reflecting in part the financial impact of the negative past service pension costs of € 29 million in 2015. Delta Lloyd has put in place a € 600 million revolving credit facility (RCF). This is a five year standby facility and will increase our financial flexibility.

Holding company cash

(in millions of euros)	2016	2015	Change
Opening net cash position	**-319**	**-558**	**43%**
Remittances from businesses	243	196	24%
Capital injection and loans to subsidiaries	-8	-84	91%
Corporate and other activities	796	566	41%
Acquisitions / divestments	182	229	-20%
Borrowings / Issue of ordinary shares	614	337	82%
HoldCo expenditure	-204	-438	54%
HoldCo finance costs	-64	-70	8%
HoldCo costs	-114	-70	-63%
Other	-2	-186	99%
Cash dividend pay-out	-23	-113	80%
Ending net cash position	**510**	**-319**	**260%**

Financial and operational performance

Operational and IFRS result

(in millions of euros)	2016	2015	Change
Operational technical result	161	230	-30%
Life	147	84	76%
General Insurance	-24	65	-137%
Asset Management	7	57	-88%
Bank	56	55	2%
Corporate and other activities	-26	-31	17%
Investment spread	754	711	6%
Direct yield	1,264	1,275	-1%
Cost of liabilities	-511	-565	10%
Gross operational result	**915**	**940**	**-3%**
Market volatility	-295	-641	54%
Movement assets	2,572	-1,022	n.m.
Movement liabilities	-2,867	381	n.m.
Provision onerous contracts for subsidiaries sold	-	-162	100%
Other, including non-operational expenses	-260	23	n.m.
Tax and minority interests	-129	-32	n.m.
Net IFRS result	**231**	**128**	**80%**

Gross operational result decreased to € 915 million (2015: € 940 million), reflecting lower technical results partly offset by higher investment spread. The negative technical profitability at General Insurance, caused in part by the exceptional weather in the south of the Netherlands in June and lower technical results at asset management, were only partly offset by strong result on expenses within the technical result of Life. The higher investment spread of € 754 million (2015: € 711 million) reflected lower required interest.

The net IFRS result was € 231 million (2015: € 128 million), which included the effect of adopting a new IFRS discount curve and the market value increase on our own pension assets. Shareholders' funds increased by 24% to € 3.2 billion (2015: € 2.6 billion). This was mainly due to the rights issue and the net IFRS result, offset by higher liabilities of Delta Lloyd's own pension scheme due to lower interest rates.

In 2016, the movement in the value of our liabilities outweighed the movement in our assets, resulting in market volatility of € -295 million. This primarily reflected the adverse longevity development of € -235 million.

Expenses

In 2016, we initiated actions to further improve our efficiency in Life and General Insurance, to reduce operational expenses in corporate staff functions and to streamline the IT organisation. As a consequence, operational expenses amounted to € 589 million (2015: € 619 million) which is well below our target of € 610 million for 2016. The decrease in operational expenses primarily reflected our efforts in Life, including the creation of an 'open' and 'service' book organisation, and lower pension service expenses. We have lowered our operational expense target to € 530 million in 2018, reflecting our confidence in our cost reduction plans.

Outlook

Following the announcement of the agreement with NN Group, we are working towards achieving the shareholder, regulatory and antitrust approvals required to complete the transaction. We expect these in the second quarter. In the meantime, we have started high level preparations for the planned integration of our businesses to ensure a seamless transition for our stakeholders.

It is important that the business maintains its progress on management priorities as a standalone company, until such time as all approvals are achieved. In that context, we remain committed to our existing targets to bring operational expenses down to € 530 million in 2018 and Solvency II net capital generation of € 200-250 million per year over time. We also continue to work on our existing plans for the PIM, until completion of the transaction.

We expect to see results of our initiatives to improve our technical profitability in Life and General Insurance during 2017. We remain confident in the solvency position of Delta Lloyd as a standalone business should the NN Group acquisition not take place, reflecting among other things, net capital generation as well as the strong progress and potential for solvency benefits of the merger of our Belgian and Dutch Life activities and the PIM.

Life Insurance

Our Life Insurance segment provides pension products and administration services for group customers and traditional and unit-linked life insurance, savings products and financial planning for individuals. Life Insurance had a mixed year in 2016. While solid progress was made on reducing costs and overall net capital generation was satisfactory, the value of new business under Solvency II (SII VNB) was disappointing at € 27 million. Taking into account a capital strain of € 51 million, the impact on net capital generation was € -24 million during the period. The corresponding new business margin (SII NBM) was 1.4%, reflecting lower margins on defined contribution pension products in the Netherlands and strong margins for the protection business in Belgium.

We remain committed to improving customer satisfaction and the business performance and profitability of the Life segment by applying pricing discipline, reducing costs, enhancing product design and improving online service.

The Dutch market for defined contribution products contracted in 2016 as no new pension legislation was introduced. Less new DC business meant the overall volume of new Life business was lower too, although our share of the DC market new business remained strong. In late 2016, Delta Lloyd was granted a license for a general pension fund (APF), enabling us to become a key player in this new new segment (see APF below).

Life insurance

(in millions of euros)	2016	2015	Change
SII Value of new business	27	n.a.	n.a.
The Netherlands	11	n.a.	n.a.
Belgium	16	n.a.	n.a.
SII New business margin	1.4%	n.a.	n.a.
The Netherlands	0.9%	n.a.	n.a.
Belgium	2.2%	n.a.	n.a.
New annualised premium income (NAPI)	491	587	-16%
The Netherlands	145	228	-36%
Belgium	345	359	-4%
New annualised premium income (NAPI)	491	587	-16%
Individual life	147	183	-20%
Group defined benefit	240	263	-9%
Group defined contribution	104	141	-27%
Insurance liabilities for operational result	37,900	35,639	6%
Operational technical result	147	84	76%
Investment spread	776	727	7%
Gross operational result	923	810	14%
Net capital generation	247	n.a.	n.a.

New annualised premium income (NAPI) fell to € 491 million (2015: € 587 million), of which € 104 million originated from new defined contribution contracts, € 240 million from defined benefit contracts and € 147 million from new individual life contracts. Gross operational result in the Life segment increased by 14% to € 923 million (2015: € 810 million).

The low interest rate environment persisted in 2016. This continued to be a challenge for Life insurers, putting pressure on profitability. As a counter measure, and in anticipation of the new solvency rules, Delta Lloyd has been transitioning to lower risk and less volatile products for the past few years and will continue to do so.

BeFrank made strides in 2016 to professionalise its operations. As a pioneer in PPI it grew enormously in the group pensions market with its innovative DC products in its first years and is now preparing for the next stage of its successful business. BeFrank continued to grow to 84,000 participants (2015: 66,000) and had nearly one billion euro in assets under management (€ 968 million, 2015: € 618 million).

Customers

Customer satisfaction for Delta Lloyd Life improved in 2016, especially among independent pension advisors and business pension customers. This is the result of our continuous focus on customer service, innovative and well-priced pension products, pro-active approach to helping customers with unit-linked insurance policies and efforts to raise awareness of pensions. We noticed a slight decline in the NPS for retail clients at ABN Amro Verzekeringen and OHRA. For more details on our NPS in 2016, please see the section Net promoter scores.

Belgium

In Belgium our Life business focuses on unit-linked pensions and insurance products such as term insurance and disability cover. We continuously strive to further improve and digitalise our customer service.

In Belgium we continued to move away from guaranteed products towards unit-linked products. Furthermore, the Belgian operations made good progress in reducing costs and we started integrating IT activities with our Dutch operations, which generated synergies. In October 2016, we announced our intention to merge our Belgium and Dutch life activities to deliver solvency benefits and economies of scale. The Belgian commercial and operational activities will continue under local management. While we have made good progress, we have agreed with NN Group not to finalise the merger before the acquisition of Delta Lloyd by NN Group is complete. In the event this acquisition does not take place, it is our intention to proceed with the merger.

APF

Delta Lloyd was granted a general pension fund (APF) license by the Dutch central bank in late 2016. The APF groups multiple corporate pension plans together under the management of a single independent board (a non-profit foundation), while ring-fencing assets to offer a defined benefit-type scheme with limited guarantees. This offers companies an attractive alternative to defined benefit schemes and allows company pension funds to retain their own scheme and identity while lessening the growing regulatory burden and increasing administrative costs. We have high expectations for the Delta Lloyd APF and consider it a growth area in the coming years.

Best pensions provider

Customer satisfaction remains a core business driver. Satisfied customers are loyal customers who help us grow and sustain our business. In 2016, we again increased our customer satisfaction scores and for the fifth consecutive year intermediaries and financial advisors rated us the number one pensions provider in the in IG&H Consulting's national performance survey. Insurance consultants rate Delta Lloyd's account management and back office processing of new policies and claims as the best in the market and praise our products for being innovative and well-priced.

Also, all our customers' life and non-life insurance needs are now served on a single digital platform. This makes it easier for customers to interact with us.

Responsible insurance: pensions

A study by Delta Lloyd indicated that people in the Netherlands generally lack awareness about pensions and are not taking adequate steps to prepare for their retirement. As a responsible insurer – one of the pillars of our sustainability policy – Delta Lloyd wants to encourage people to proactively start planning now for when they retire. This goes further than financial planning (*income)*. What sort of lifestyle do they want? How will they maintain social contact (stay *together)*, remain *active* and feel *useful*?

As part of our sustainability focus, Delta Lloyd wants to play a meaningful role in helping society address these issues. In 2016, we built on the steps initiated the previous year to raise awareness of pensions. We are also assessing our actions to measure their impact and will report on the outcomes.

Among other things we published information on our website that showcases the financial and non-financial elements of retirement. Information about pensions is illustrated with personal stories that inspire people to take action to secure the retirement they want, both financially and in terms of lifestyle (read more on Delta Lloyd's Dutch website). We also encourage sustainable employment, assessing people's skills and training options so they can stay in work for longer. Voluntary work is another way people can remain involved, active and useful after retirement. We will continue these initiatives in 2017 and measure their impact on different employee groups, including our own employees.

We are expanding our activities to support people in planning their pension at all life stages from employment to retirement. This will include addressing non-financial elements. To this end we are developing a pension guide (*Pensioenwegwijzer*) that will be introduced in March 2017.

Unit-linked insurance

Following the public debate that began in 2006 around the transparency of unit-linked insurance contracts and the costs associated with these products, Delta Lloyd was the first insurer to enter into agreements with consumer and investor interest groups (Stichting Verliespolis, Stichting Woekerpolis Claim, Vereniging van Effectenbezitters and Vereniging Eigen Huis). These agreements, from 2008 and 2010, include a settlement on standardised charges for individual, privately-held unit-linked insurance products that customers had previously purchased. In 2013, this compensation was added directly to the policies and it is therefore included in the insurance liabilities, as recommended by the Dutch Minister of Finance.

Activation of unit linked policy holders

We regularly update customers on the performance of their unit-linked insurance policies and provide them and intermediaries with information about the options available so they can make an informed decision about whether or not to adjust their policies. We have followed this 'activation' process since 2013. We encourage customers to take appropriate action on unit-linked policies and do everything we can to help them should they wish to change their policy.

Our regulator, the Dutch Authority for Financial Markets (AFM), set fixed targets for insurers to activate customers with unit-linked policies. We were required to activate 100% of customers with a non-accruing policy (i.e. a unit-linked insurance policy of which the future increase in value is less than the future contribution payments) by 21 August 2015. Delta Lloyd achieved almost 100% by that date and has since successfully continued its efforts to reach the remaining customers in this group. By 31 December 2016, we had to activate 100% of customers with a mortgage-linked policy and a deferred annuity (a pension-related unit-linked insurance policy). We have informed the AFM that we achieved 100% activation for both groups.

In 2016, we started activating the last group of customers with unit-linked policies. This is progressing steadily. The deadline for 100% activation of this group is 31 December 2017.

We believe our personal approach to activation is effective, with increasing numbers of customers taking action. This is supported by the outcomes of our activation process and various customer surveys, which provide valuable insights to further improve our approach. Many customers are taking measures to bridge the potential gap between the original expected return and the current expected return. There is also a group of customers who have chosen to leave their unit-linked insurance policy unchanged. They have clear reasons for this. One reason is the possible fiscal disadvantage of changing the policy. Another reason is the guarantee that comes with a large number of our unit-linked insurance policies. This guarantee entitles customers to a minimum capital sum on maturity or a minimum guaranteed return.

Exposure to possible claim risk

We apply a personal approach to customers with respect to complaints, which is effective and customer friendly. This is illustrated by the low number of pending complaints regarding unit-linked insurance policies (0.01% of the overall unit-linked insurance portfolio in 2016). In addition, we have an exceptional hardship arrangement for customers in distressed situations. In such cases, we do our best to find a solution tailored to the customer's specific needs. Aside from a very small number of complaints filed with the Financial Services Complaints Tribunal (Klachteninstituut Financiele Dienstverlening /Kifid), there are currently no claims or proceedings initiated against Delta Lloyd related to unit-linked policies either individually by policyholders or collectively by consumer-interest organisations.

General Insurance

General Insurance delivered a weak financial performance in what was a tough year. Part of this was due to the many damage claims after exceptional weather that hit the south of the Netherlands. We have taken decisive action to improve the technical result by adjusting prices and exiting unattractive and unprofitable segments.

General Insurance

(in millions of euros unless otherwise stated)	2016	2015	Change
Combined ratio	105.4%	96.2%	09pp
Property and casualty	112.6%	101.3%	11pp
Income protection	70.5%	72.3%	-02pp
Gross written premiums	1,452	1,353	7%
Property and casualty	1,227	1,136	8%
Income protection	225	217	4%
Operational technical result	-24	65	-137%
Net earned premium	1,320	1,252	5%
Benefits and claims	-963	-822	-17%
Expenses and commissions	-381	-365	-4%
Investment spread	29	41	-29%
Gross operational result	6	106	-95%
Net capital generation	-27	n.a.	n.a.

The combined ratio (COR) in 2016 rose to 105.4% (2015: 96.2%). The underlying COR, adjusted for exceptional weather in June (3.1pp) and restructuring (2.2pp), was 100.1%. The COR for income protection improved by -1.8pp to 70.5%, reflecting positive claims development the previous year, primarily in WGA-ER (partial disability insurance). The higher property and casualty COR of 112.6% can be attributed to the exceptional weather conditions in June and a number of large fire and technical insurance claims. The weather also had a negative impact of € 30 million on net capital generation, which fell to € -27 million.

Gross written premiums increased to € 1,452 million (2015: € 1,353 million), which was mainly attributable to the acquisition of portfolios through authorised agents. The gross operational result decreased to € 6 million (2015: € 106 million) due to the effect of the negative technical profitability. The lower investment spread primarily reflects the effects of equity derisking.

Following the heavy rain and hailstorms that hit the Netherlands in June, Delta Lloyd stepped up its support for customers in the affected areas. This included agricultural businesses whose greenhouses were severely damaged. We brought in extra staff to personally assist customers, visited their damaged sites and increased our repair capacity to get their businesses back on their feet as soon as possible.

Acceptable returns

We are committed to a COR target of 98% or better accross the cycly and to delivering an acceptable return in each of our GI product lines. Actions we took in the year to achieve this included reducing costs, adjusting prices and exiting unprofitable and unattractive business segments. We sold the Xclusief portfolio (upmarket individual insurance package) and discontinued several others. Among those placed into run-off were the portfolio of specialist garage insurance, underwritten agricultural policies in the underwriting agency channel and the inward reinsurance contracts portfolio. We also entered into a strategic partnership with Voogd & Voogd to supply general insurance products to consumers, which started on 1 January 2017.

Customer

Customer appreciation of the service at Delta Lloyd General Insurance improved significantly in 2016. This is reflected in higher NPS among individuals and business customers. NPS for OHRA and ABN Amro Verzekeringen remained stable. The rise at Delta Lloyd may be attributed to the support we gave customers in the aftermath of the extraordinary summer storms in June and our efforts to help customers mitigate their risks, which can lead to lower premiums. For more details on our NPS in 2016, please see the section Net promoter scores.

Responsible insurance - renewable energy

We focus our general insurance activities on areas where our expertise can add extra value for our customers such as renewable energy. We are the biggest Dutch insurer of wind energy and are increasingly active in other sustainable areas such as solar panels. Here we aim to be ahead of the field in the fast-growing renewable energy sector and use our technical knowledge and experience to drive sustainable change as an insurer of new technologies.

We apply our knowledge to help developers and operators of wind parks, for example, to take the necessary steps to prevent and mitigate the risk of damage. This in turn reduces the risks for investors and encourages more investment in large-scale offshore wind production, thereby stimulating the transition towards green energy and a low carbon economy.

We have taken steps in 2016 to quantify and monetize the societal impact we create as an insurer of our offshore wind energy activities. By insuring offshore wind energy projects, we contribute to the development of new renewable energy capacity which results in greenhouse gas emission savings. We contributed together with our clients to generating sustainable energy for an equivalent of 2.2 million households in 2016.

Wind energy offshore

in millions of euros unless otherwise stated	2016	2015
Total gross written premiums	25.4	22.3
Build	13.3	10.2
Operational	12.1	12.1

Responsible insurance - prevention

We help customers to take steps to mitigate their risks and minimise damages, which can lower their premiums. In 2016, this was an area we paid a lot of attention to. For example, we assisted companies by helping them discover weak spot and short circuits in their electrical systems. Delta Lloyd co-developed a climate scan for entrepreneurs to help them prevent damages related to extreme weather conditions. Actions to prevent fires contribute to a more sustainable society as fewer fires will emit less CO2 into the atmosphere.

Technology

Digitalising our general insurance business was an ongoing priority in 2016 and will continue to be in the coming years. OHRA remains the frontrunner in this area and in 2016 it increasingly used social media and WhatsApp to communicate with clients. This focus on technology is a key enabler of our 'Closer to the customer' strategy and is helping to save costs and improve customer satisfaction.

The Customer, Brand & Digital department, which coordinates our commercial and product divisions together in one central team, assessed what customers think of Delta Lloyd and of our service. They measured customer satisfaction to see where improvements were needed. As a result, the website was upgraded and customers can now access all their Life and General Insurance products on one portal. We also set up a social media desk to handle all customer interaction via channels such as Whatsapp, Facebook and Twitter, based on the example set by online frontrunner OHRA.

Asset Management

It was a transitional year for Asset Management, which manages and invests the assets of Delta Lloyd and its policyholders and manages institutional and retail customers' investments. We invested a great deal of time and energy in optimising our systems and strengthening our risk and compliance framework. This improved our ability to provide the solutions our institutional customers expect and increased our customer satisfaction scores. What's more, this paved the way for future growth.

There were challenges for Asset Management too. These included fluctuating financial markets and the new regulatory regime. In 2016, total assets under management was broadly stable at € 71 billion (2015: € 70 billion). This was the net result of market developments and de-risking our portfolio. As part of this, we continued the shift in asset allocation from equity to fixed income, mortgages and residential real estate. Net outflows totalled € 843 million (2015: € 249 million), reflecting an outflow in retail funds and institutional mandates.

Asset management

(in millions of euros)	2016	2015	Change
Net inflow new money	-843	-249	-239%
Institutional	-409	154	n.m.
Third party	-434	-403	-8%
Total assets under management	70,998	70,012	1%
Own risk	49,598	46,221	7%
Third party	21,400	23,791	-10%
Operational technical result	7	57	-88%
Fee and commission income	97	144	-32%
Fee and commission expenses	-44	-44	-1%
Operational expenses	-46	-43	-8%
Gross operational result	7	57	-88%
Net capital generation	5	-	n.a.

Gross operational result was down to € 7 million (2015: € 57 million), due to lower fee and commission income (a decrease of €-47 million) based on a revised agreement between Asset Management and internal clients (€ -8 million), de-risking and third party outflows, as well as a very strong contribution from performance fees in the prior year (€ -23 million). The corresponding net capital generation was € 5 million.

By upgrading our IT and administrative systems we can further digitalise our products and our back-office and mid-office processes. This in turn will lead to greater efficiency and increase security for our customers, in line with compliance and regulatory requirements.

We began enhancing our risk and compliance framework in 2015 and made good progress on implementing this in 2016. We are already reaping the benefits of this reorganisation and will continue to build on this in 2017 to further improve our customer service.

Innovation

These enhancements mean we are in good shape to generate growth, create added value and expand on our strategy to be the solution provider for institutional customers. Our general pension fund (APF) will be another important contributor to achieving this goal. The APF offers an additional pensions proposition to institutional clients seeking alternative defined contribution plans for their employees.

We launched two innovative investment funds in 2016, the Private Debt Fund and the ESG Fund. The Private Debt Fund invests in fixed income bonds of small and medium-sized companies in the Benelux. This fund is an opportunity for institutional clients – who are less inclined to invest in shares since Basel III and Solvency II – to finance the growth of companies. At the same time, this fund enables these companies to find the capital they need for growth.

Responsible investment

Investing responsibly is part of our corporate responsibility. We combine our social responsibility as an investor with every aspect of our fiduciary responsibility, i.e. providing a secure pension for the future. As such, we are interested in both the financial returns and the sustainability commitments of the entities we invest in. First and foremost, we have an obligation to safeguard financial returns for our customers, which we balance with ESG factors when making decisions. We believe a sound ESG policy enables a sustainable return on investments.

For Delta Lloyd, responsible investment means that we:

- Exclude companies that violate international principles regarding human rights, the environment, labour and corruption, as well as companies that are involved in controversial weapons;
- Integrate information on environmental, social and governance (ESG) issues in our investment decisions regarding companies and countries;
- As active owners, cast an informed vote at annual general meetings and extraordinary general meetings of listed companies. Afterwards, we publish on our website our voting decisions for each agenda item;
- Believe in constructive dialogues. We will engage with companies in which we invest, specifically with our participation investments, to improve their short-term and long-term (sustainability) performance;
- Continuously want to stay informed about developments and themes in the field of responsible investments and sustainability. We follow these developments and apply them to our investment processes; and
- Are transparent about what we do and what we do not do. Since 2008, Delta Lloyd has been an organisational stakeholder of the Global Reporting Initiative (GRI), an international organisation aiming to raise the level of sustainability reporting to that of financial reporting. Delta Lloyd reports according to the GRI standards.

We have structurally embedded the above-mentioned principles in our investment processes. The section 'Responsible investment activities' includes a description of how we put this into practice for the different asset classes we manage.

In asset management, our mission is to translate Delta Lloyd's sustainability ambitions and objectives into our investment portfolios. These objectives are based on widely accepted international conventions, codes and treaties, such as the Global Compact Principles of the United Nations and the OECD Guidelines for Multinational Businesses. For more information about Delta Lloyd's sustainability policy, please see our website.

Sustainable investments

Sustainable investments are those investments that, in our view, contribute to a sustainable future for all stakeholders. In 2016, 3.63% of our total assets under management were sustainable investments. These include equity, bonds and green bonds, and sustainable loans. The major increase came from the introduction of our ESG fund. We aim to increase our sustainable investments in the coming years.

Sustainable fund

The innovative Delta Lloyd ESG Fund, formerly known as the Delta Lloyd Global Equity Index, was renamed after new and very strict selection criteria were implemented in line with our responsibility and sustainability policy. This fund excludes companies that do not adhere to our sustainability criteria and uses the so-called best-in-class method, which encourages companies to meet their sustainability targets. The fund is part of our transition towards sustainable investing, which aims to contribute to a more sustainable society. It has been voted the best ESG fund globally, was selected by AF Advisors as the number one global sustainable equity fund, and enjoys a 5-star Morningstar rating. It has 50% lower CO_2 emissions compared to the MSCI World Index benchmark by investing in companies that generate solutions for carbon dioxide emissions.

We will increasingly apply such strict selection criteria to more of our funds, reflecting our ambition to invest in a sustainable way by incorporating ESG criteria in our investment process. To help us in our decision making, we have a Responsible Investment Committee that advises the managing director of Asset Management, based on its own observations and information provided by investment research firm Sustainalytics.

As a responsible investor, we engage with the companies we invest in on sustainability issues and exercise our voting rights.

Bank

Delta Lloyd Bank is active in the Dutch mortgage and savings markets with a focus on products related to wealth accumulation. Within Delta Lloyd, the bank enables other group entities by servicing their mortgage portfolios. The bank works closely with third party servicers and fintech companies. The bank benefited from the growing Dutch residential mortgage market. Fueled by the market upturn, our new mortgage production increased by 42% to € 1.7 billion. The mortgage portfolio at group level increased by 8% to € 14.3 billion (2015: € 13.3 billion). Gross operational result improved modestly to € 56 million from € 55 million in 2015, due to lower interest income and higher fee and commission income.

Bank

(in millions of euros)	2016	2015	Change
Mortgage portfolio	14,294	13,266	8%
Savings balance (incl. banksparen)	3,414	3,359	2%
Technical result	56	55	2%
Net interest income	81	82	-2%
Net fee and commission income	25	22	12%
Operational expenses	-50	-49	-1%
Gross operational result	56	55	2%

In line with our diversified funding strategy, our savings portfolio rose to € 3,414 million from € 3,359 million in 2015, reflecting our margin over volume policy in the ongoing low interest rate environment. In June we securitised a portfolio of national mortgage guarantee scheme (NHG) mortgages, raising € 613 million of new funding at very tight spreads, the so-called Arena 2016 programme. Delta Lloyd has done over 20 securitisations under the Arena programme in recent years. Arena is considered one of Europe's best performing securitisation programmes. Our annuity products (Delta Lloyd Lijfrente Groeirekening and Ohra Pensioenrekening) were awarded a 5-star rating by MoneyView. Delta Lloyd Bank, which executes its activities under the Delta Lloyd and Ohra labels, continued to focus strongly on improving operational efficiency, especially in the savings segment. We also developed new services such as Instant Payment, which allows customers to transfer money from their Delta Lloyd savings account instantly into an account at another bank.

Customer

Efforts to improve the satisfaction of financial advisors resulted in a higher NPS for our mortgage services and for bank savings. This is a result of our continued focus on customer excellence and operational efficiency initiatives and offering our customers sustainable solutions. For more details on our NPS in 2016, please see the section Net promoter score. We constantly try to improve our service through customer excellence and operational efficiency initiatives, and by increasing self-service possibilities for customers and intermediaries.

Responsible bank - support for our customers

In the mortgage department, we constantly seek new ways to improve our service and offer our customers sustainable solutions. When customers have difficulty making their mortgage redemptions or are in danger of falling into arrears, our credit management professionals actively try to find ways to reduce their money worries and help them meet their financial obligations. In 2016, we supported hundreds of clients in difficult financial circumstances with tailor-made solutions, which often led to improvements in their financial situation and so enabled them to stay in their homes. A significant number of these customers were visited by our preventive credit management professionals. Such visits are made after an independent advisor has given appropriate and realistic mortgage advice in line with the financial situation of the customer.

This is an example of how we try to help people to become more financially aware and self-reliant as part of our vision for corporate social responsibility and sustainability. It echoes the Delta Lloyd Foundation's 'From debts to opportunities' programme to tackle poverty and help people – not just Delta Lloyd customers – to address debt. Our customers tell us they appreciate the personal attention and extra care, and it increases their satisfaction.

Corporate and other activities

The corporate and other activities segment mainly consists of holding company overheads, interest expenses, treasury and the commercial result of the health insurance activities. The gross operational result improved to € -78 million (2015: € -89 million), reflecting lower expenses at group level.

Corporate and other activities

(in millions of euros)	2016	2015	Change
Gross operational result	-78	-89	13%
Corporate activities	-103	-114	9%
Label health	21	21	0%
Treasury result	4	4	16%
Net capital generation	-53	n.a.	n.a.

Net capital generation of corporate and other activities was € -53 million.

Investor relations and share developments

With shareholders all over the world, Delta Lloyd aims to provide its investors with clear, transparent, accurate and timely information so they can make well-considered decisions. This policy is integral to Delta Lloyd's investor relations, ensuring we keep investors and analysts informed through our website, roadshows and meetings.

Dialogue with our investors

Every year, Delta Lloyd regularly updates investors and analysts on its financial and operational performance, strategy and the opportunities and challenges we face. We organise roadshows to meet investors and potential investors, provide quarterly financial reports and accommodate bilateral meeting requests whenever feasible. Our investor relations policy is aligned with the Dutch Corporate Governance Code. It is based on a firm belief that a dialogue with shareholders is productive for investors and for Delta Lloyd.

When we report our full-year and half-year results, our chairman and chief financial officer host a conference call and webcast for analysts giving more insight into our business performance. A transcript of the call is available to subscribers on the news wires. Our first and third quarter results are published in a press release that is also available on our website. The investor relations team is available to answer questions and to provide information by phone or in person.

At the annual investor day, on 27 May 2016 in London, we provided an in-depth update on our strategy and business priorities for the medium and long term. We also organise an Annual General Meeting for shareholders. These events are webcast and the minutes of the shareholders' meetings and investor day presentations can be found on the website.

Our chairman of the board, CFO and IR-team accommodate many requests for bilateral meetings with investors, potential investors and analysts. No price-sensitive information may be disclosed during such meetings. Our policy on bilateral meetings with shareholders is set out in the investor relations section on our corporate website.

The dialogue with shareholders was particularly intense in 2016, as we introduced the new CFO and explained the rights issue and capital plan. Although the rights issue was absolutely necessary for the company, understandably some shareholders did not welcome it. To reassure them, we held a series of meetings and roadshows in the Netherlands and in other countries to explain our reasoning for it. Nearly 80% of shareholders voted in favour of the rights issue after these in-depth explanations.

Capital structure

Allocation of share capital and voting rights

At 31 December 2016	Ordinary shares	%	Preferent shares A	%	Voting right	%
Fonds NutsOhra			10,021,495	100%	10,021,495	2.2%
Public shares	455,285,308	98.7%			455,285,308	97.8%
Own purchased shares	6,047,140	1.3%				
Total	**461,332,448**	**100%**	**10,021,495**	**100%**	**465,306,803**	**100%**

Debt

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

* Nominal value at 31 december 2016

Geographical allocation[1]

(total 100 %)	2016	2015
North America	31%	40%
UK & Ireland	15%	23%
Continental Europe	12%	23%
The Netherlands	13%	4%
Rest of the World	29%	10%

1 Based on information from several large banks and own estimates.

Analysts

Nineteen analysts follow the Delta Lloyd share (2015: 18). For the full list, see the Investor Relations section of our corporate website.

Listing and indices

Delta Lloyd is listed on Euronext Amsterdam, where our shares are included in the AMX-index of 25 mid-sized companies based on market capitalisation. We were excluded from the AEX-index of the 25 largest companies in 2016 due to a reduction in our market capitalisation. In Belgium too we are no longer included in the Bel-20, but maintain a general listing. Delta Lloyd is also listed on the Dow Jones Sustainability Index (DJSI) World and DJSI Europe.

Liquidity

Liquidity was 101% higher in 2016 compared to the previous year, mainly due to the increased number of outstanding shares as a result of the rights issue.

Liquidity

Average, in shares	2016	2015
Daily trading volume	5,338,492	2,654,319

Dividend

Dividend paid out

In 2016 an interim dividend of € 0.10 per ordinary share was paid out in September. In view of NN Group's recommended offer for Delta Lloyd we have decided not to pay a final dividend for 2016. Any final dividend paid would reduce the purchase price of € 5.40 per ordinary share.

Total shareholder return

Our total shareholder return in 2016 is 33%.

Dividend policy

Delta Lloyd aims to pay a stable annual dividend, subject to internal Solvency II thresholds. As a policy, we provide a dividends table for our shareholders, supported by underlying targeted capital generation. Delta Lloyd may only distribute its profit to shareholders if the equity exceeds the sum of the paid-in and called-up share capital, plus the reserves that must be maintained under Dutch law or by the Articles of Association. Distribution of profit takes place after the financial statements have been adopted by the Annual General Meeting, confirming distribution is permitted and taking into account all laws and regulations, including the capital requirements of the DNB. The Annual General Meeting may resolve, upon a proposal of the Executive Board and approved by the Supervisory Board, that an ordinary share dividend be paid out, wholly or partly in shares. The Executive Board may resolve to pay out an interim dividend on the ordinary shares, subject to the approval of the Supervisory Board.

Should the dividend policy conflict with targeted Solvency II thresholds, management will consider various possible capital management alternatives. Such actions may include:

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

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

Dividend history

The following table sets out details of the dividends paid on outstanding ordinary shares in the past years. It shows the aggregate amount of dividend, aggregate amount of dividend paid in cash, the amount of stock dividend shares in total, and the dividend per ordinary share.

Dividend history

Year ended 31 December	Aggregate dividend amount paid (EUR)	Aggregate amount paid cash (EUR)	Aggregate amount stock dividend (no.)	Per ordinary share (EUR)
2012	179,121,561	73,239,071	8,213,554	1.03
2013	193,155,518	70,877,584	7,530,755	1.03
2014	214,919,385	86,976,928	7,950,359	1.03
2015	93,602,990	50,194,786	4,687,206	0.42

The preference A shares carry a fixed dividend of 2.76%, see also sections ' Major Shareholders and Related Party Transactions— Related Party Transactions— Long-term loan with Fonds NutsOhra'. No protective preference B shares have been issued.

Manner and timing of dividend payments

Cash payments of dividends on ordinary shares are made in euros. Dividends on the ordinary shares are paid to shareholders through Euroclear Nederland and credited automatically to the shareholder's account.

At the proposal of the Executive Board, and with the approval of the Supervisory Board, shareholders may choose to receive the dividend on the ordinary shares in shares or in cash. Delta Lloyd intends to neutralise the dilutive effect of any stock dividend on earnings per ordinary share by repurchasing ordinary shares. Delta Lloyd may alter the attractiveness of a cash versus a stock dividend.

The value of the stock dividend (dividend in shares) will be charged to the ordinary share premium. Delta Lloyd intends to pay an interim dividend and a final dividend. Dividend payments are generally subject to withholding tax in the Netherlands.

Delta Lloyd will pay any final dividend within four weeks of the annual accounts being adopted, unless the Annual General Meeting determines another date proposed by the Executive Board. Any interim dividend will be paid after the publication of the half-year results.

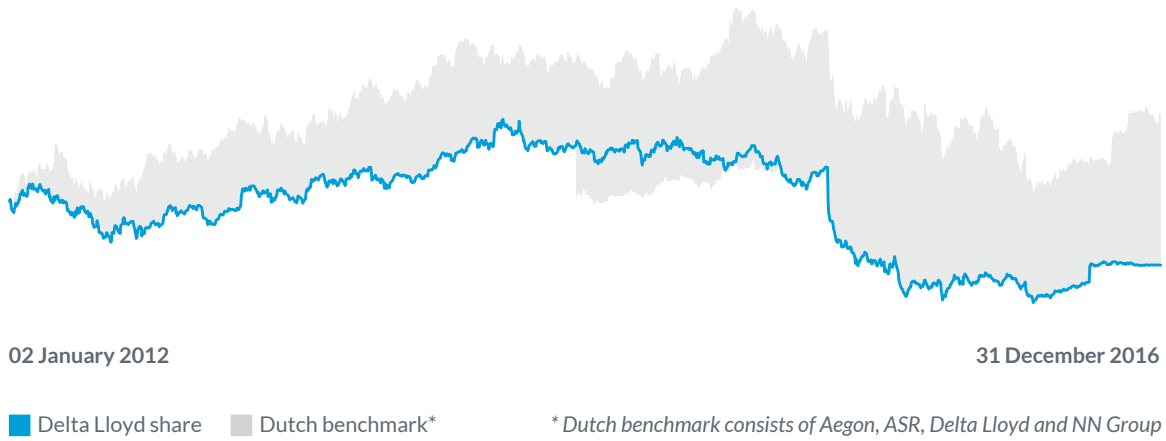
Different payment dates may be designated for the ordinary shares, the protective preference B shares and the preference A shares. Claims for dividends shall lapse five years after the date on which dividends were released for payment.

Share price development

Delta Lloyd's share price had a turbulent first half of the year, as the unrest surrounding the rights issue and worries about our capital position under Solvency II affected shareholder behaviour. This was amplified by uncertainty surrounding the EU referendum in the UK, elections in the U.S. and the overall environment of slow economic growth in the developed world and continued low interest rates.

Our stock price stabilised and started to rise after we completed the rights issue successfully, published our half-year results and expressed our confidence in a stable future with growth. The share price had ended 2015 at € 5.45 and fluctuated heavily in the first half of 2016, reaching over € 6.00 and falling below € 3.00. From August onward, the stock stabilised and steadily rose to around € 4.00. After the announcement of the NN Group bid, our stock rose sharply to around the level of the bid and it has remained relatively stable around this price level. Our TSR of 33% meant we outperformed the Dutch AMX- index which ended the year with a negative return of 1.54%.

Share performance Delta Lloyd vs Dutch benchmark



Figures per share

In euros, based on total number of shares outstanding on 31 December	2016	2015
Highest closing price	5.58	13.87[1]
Lowest closing price	2.65	3.10[1]
Closing price (31 December)	5.32	4.07[1]
Market capitalisation Delta Lloyd (in millions of euros)	2.42	1.24
Result (IFRS) after tax and non-controlling interests	0.5	0.56
Operational result after tax and non-controlling interests	1.47	3.34
Shareholders' funds	6.99	11.29
Operational return on equity	21.0%	0.34
Closing price / operational result after tax and non-controlling interests (P/E ratio)	3.62	1,22[1]

* corrected for rights issue.

Human capital

Our employees play a key role in realising our strategy. As such, we share a responsibility with them to ensure their skills and abilities remain relevant now and to other roles in the future. Our HR policy is based on four pillars: health and energy, expertise and skills, motivation and involvement, and balancing work and private life. We invest in our people, and we also invest in our leaders of tomorrow. Our graduate programme is recognised as a leading training and development traineeship in the Benelux. We take pride in our diverse workforce and aim to reflect the diversity of society itself.

Work force

Delta Lloyd employs 4,579 staff (FTE), down from 4,739 at year-end 2015. The reduction in our workforce is due to divestment and was mainly implemented through reorganisations. The workforce includes 3,970 permanent staff and 609 temporary employees, of these 458 are based in Belgium, including 19 temporary staff.

Number of employees

in FTE, at year end	2016	2015
Permanent	3,970	4,130
Temporary	609	609
Total numbers of employees	**4,579**	**4,739**

Delta Lloyd's workforce can be characterised by its expertise and is highly educated. However, Delta Lloyd values diversity in the company and we want our workforce to reflect the diverse character of the society in which we operate. When we recruit, employ and develop people we aspire to combine capability and diversity. This relates to gender diversity, as well as people from different cultural backgrounds, different age groups and with different physical and/or mental abilities.
Cultural diversity is difficult to measure. About 14% of our employees have a non-Dutch background, i.e. one or both of their parents is from another country, according to a voluntary survey of employees in 2015. Our Diversity Council monitors progress and activities to increase diversity at all levels of organisation.
We aim to have at least 30% women on the Executive Board and in the two management layers immediately below (directors and managers). We met this target in 2016 with two female members of the Executive Board (40% of total Board members). We actively seek opportunities to enhance gender diversity at all management levels. In 2016, 30% of directors were female (2015: 23%), while the percentage of female managers fell to 23% (2015: 26%).

Diversity

% of female employees, by function	2016	2015
Directors	30%	23%
Managers	23%	26%
Teamleaders	38%	39%
Staff	41%	42%
Total	**41%**	**41%**

Employee engagement survey

We stimulate our employees to be actively involved in our company's strategy and vision for the future. We measure their engagement in a yearly survey. It was conducted for the tenth time at the end of 2016. The employee engagement survey also measures how employees rate Delta Lloyd's leaders, among other things. Almost 80% of our employees participated (3,386 people), nearly the same participation level as in 2015 , despite it being a challenging year for employees. The findings give us more insight into what motivates our employees and their expectations.

Sustainable engagement decreased to 69% in 2016 compared to 75% in 2015. This is hardly a surprise in a year characterised by many reorganisations and a rights issue. Furthermore, the survey was conducted after NN Group made its first public offer for Delta Lloyd. This is the only score that can be compared to the previous year. The 2016 survey was conducted by Effectory, while the 2015 one was done by Willis Towers Watson and they use different research methods.

According to the findings, Delta Lloyd's ratings in 2016 fell below those of other financial institutions in the financial benchmark, in terms of engagement, effectiveness and commitment. Ratings on leadership are slightly higher compared with the benchmark. Looking at the different parts of Delta Lloyd, the results from Delta Lloyd Bank stand out as they are most often above the average of the whole Delta Lloyd group.

Our recently developed Leadership Academy will support our leaders acting as role model on our management principles and inspire and motivate our employees.

Employee motivation

% sustainably engaged employees	2016	2015
Delta Lloyd group staff	73%	79%
Delta Lloyd Levensverzekeringen	67%	72%
Delta Lloyd Schadeverzekeringen	67%	74%
ABN AMRO Verzekeringen	71%	81%
Delta Lloyd Asset Management	65%	59%
Klant Merk en Digitaal	69%	n.a.
Delta Lloyd IT & Services	68%	79%
Delta Lloyd Bank	80%	85%
Delta Lloyd Life Belgium	67%	65%
Delta Lloyd Total	69%	75%

Employment

Capable, engaged and healthy employees are key to our success. To ensure our employees have the skills and capabilities to take on new tasks and assignments in an continuously evolving workplace, we provide them with tools that improve their capabilities and know-how, as well as their health, energy, motivation, engagement and work-life balance throughout their working lives.

The development programme 'Delta Lloyd Top 50', aims to empower older employees to use their experience in a positive way and emphasises that personal development does not stop at a certain age. In 2016, we started a second programme for employees aged over 50 to prepare them for life after retirement. The programme helps them to understand their financial situation in the changing Dutch pension system, set personal employment and development goals, and start planning for a retirement in which they continue to feel valued in society, for instance through volunteer work.

Delta Lloyd actively supports all its employees to reach a high level of sustainable employability. This includes offering each employee their own budget for personal development, helping them balance work and private life, providing training to maintain their professional knowledge and tips to remain healthy and energetic.
The wellbeing of our employees includes helping them to take care of their physical health. Delta Lloyd has a gym for employees, an annual fitness check, ergonomic workstations to minimise complaints caused by poor posture and programmes to help them stop smoking, for example.

Our Works Council is a highly valued stakeholder and is involved in accordance with the Dutch Works Councils Act (Wet op de Ondernemingsraden /WOR). In addition to formally representing the interests of employees, there are also informal meetings and the council provides management with useful feedback on HR topics such as learning, employability and performance management.

Dilemma

A dilemma we faced during the year was how to make our workplace even more inclusive. In line with the Dutch Participation law, which encourages companies to allow everyone to participate in the labour market we set out to create a number of jobs for people with an occupational disability (including a lack of education). We were on track to meeting our target for 2016 – four vacancies were filled and two were in the pipeline – when we were forced to reassess the programme in the fourth quarter. There were many reorganisations taking place and we received the takeover bid from NN Group. After much deliberation we took the difficult decision to stop this programme. Good employment is not just about being able to check the boxes. Our company is facing so much uncertainty right now and we feel it's unfair to bring new people into this environment, particularly when they need a stable working environment and proper guidance.

Lifelong learning

We value the expertise of our employees. More than just delivering the right skills and qualifications, our training and development goes beyond what is legally required to ensure our employees reach their full potential and remain employable throughout their working lives. As such, we have drawn up an internal training and professional skills policy in cooperation with our Works Council. This policy promotes employee development by way of courses and on-the-job training. In 2016, we spent € 7.9 million on training and education (2015: € 9.6 million).

We want employees to educate themselves proactively and in a way that fits modern lifestyles. We developed a digital learning platform in 2016, to be fully implemented in 2017, which gives employees the freedom to study when it suits them best. They can follow programmes online 24 hours a day and seven days per week instead of having to apply for and attending courses in the traditional way. We also developed a blended Leadership Academy , which includes digital learning modules as well as classroom sessions and workshops.

Our trainee programme won the Best Traineeship Benelux award in 2016, and was named 'Best in class' in the category 'Personal Branding'.
In 2016, we introduced a three-year personal development programme for trainees at Delta Lloyd. It aims to develop their talent and prepare them for key positions in four specialist fields: management, IT management, risk and finance.

We also simplified and improved our performance management cycle by moving performance reviews to earlier in the year and combining this with setting targets for the year ahead. This enables us to link performance reviews directly with target setting and possible additional training and development goals. It also simplifies the process and makes it more efficient.

Delta Lloyd agreed a new three-year collective labour agreement and a social plan with the unions in 2016. Employability was one of the main topics to include. Among other things it covers salary increases and changes to employee pension plans. Delta Lloyd pensions have been adjusted from being largely defined benefit-based to a collective defined contribution (CDC). The CDC is a more modern and sustainable pension scheme that gives employees more security about their pension payouts while providing employers with fixed pension costs. The new collective labour agreement came into effect on 1 January 2017 and will last until 2020.

Risk management and compliance

Risk management

Our risk management approach serves as a countervailing power to safeguard the continuity of Delta Lloyd through responsible growth, a stable solvency ratio and sustainable products and processes. This ensures a transparent risk profile in which we make conscious decisions and sufficiently address future changes. Risk management is embedded in our daily operations. For further information about risk management at Delta Lloyd, please see section 'Risk management' in the 2016 Financial Statements incorporated by reference herein.

Risk management philosophy

Our risk management policies are designed to protect Delta Lloyd against events that may jeopardise our ability to achieve sustainable results, the required minimum solvency level, or our strategic objectives. Our mission is to manage uncertainty. Risk management is fully embedded in our daily operations, to identify, analyse, measure, manage, control and audit risks that may arise in the course of our business operations, in a timely manner. This helps to maintain our credit ratings, meet our obligations to customers and other creditors, and comply with legislative and regulatory requirements and best practises. Our approach to risk is based on the following elements:

- Risk governance: Our risk governance framework comprises 'three lines of defence' and risk committees. It outlines the responsibilities and guidelines of our management structure. Each business segment has a dedicated Audit Committee (AC) and an Asset & Liability Committee (ALCO) that supervise the effectiveness of its business control systems. Following the appointment of a chief risk officer to the Executive Board in 2015, we implemented a revised risk organisation in May 2016 (see section 'Risk governance' below).
- Risk processes and systems: The risk management framework takes into account all relevant elements of risk management, including the Solvency II Standard Formula (SF) model and an Internal Model (EC) for economic capital calculation, a sound risk management cycle (that includes all necessary and structural steps to assess all material risks and its control) and the interrelationship between governance and management information.
- Risk culture: Based on Delta Lloyd's core values, the Executive Board and the boards of the business units have a common framework to perform their risk/return considerations.

- Risk taxonomy and mitigation: The risk management policy framework encompasses the 'risk universe' of all risks relevant to Delta Lloyd. It contains a set of mandatory policies and the group risk appetite statement (GRAS) to control and manage risk according to specific guidelines. The annual GRAS defines the risk appetite for all risks within Delta Lloyd. Each division defines its business unit's risk appetite statement consistent with the GRAS.
- Capital model: With the implementation of Solvency II in 2016, we started using the standard formula (SF) model for our insurance activities. The capital relating to our banking activities is assessed in accordance with the capital requirements regulation (CRR) and directive (CRD IV).

Because we believe a partial Internal Model (PIM) better reflects the specific risks we face than the standard formula does, we will continue to update and test the internal model. Following satisfactory test results and in consultation with the College of Supervisors, we have filed plans with DNB to implement PIM on 1 January 2018.

Delta Lloyd will continue to measure solvency on both the SF and on the internal EC method. The Executive Board determines the minimum risk and risk appetite levels for both measures, and both must be adhered to. We will use the EC model for making internal risk management decisions, taking into account the SF Solvency II ratio as a potential constraint.

Risk governance

In May 2016, Delta Lloyd implemented its new risk management organisation. The reorganisation aims to further improve risk management, more strictly implement key functions as described in the guidelines for Solvency II, and support the pure division of the responsibilities of the second line of defence. The changes included splitting the actuarial and risk management functions at group level and in the business units and appointing chief risk officers to the boards of the business units.
Delta Lloyd's risk governance structure is based on roles and delegated authorities; the risk management policy, which comprises guidelines for all major risk types described in 'Risk Taxonomy' (see below); and the risk committee structure.

Risk management at Delta Lloyd is organised along three lines of defence:

- Day-to-day risk management in each business unit: This includes implementing risk policies and reporting and managing information. This line of defence is executed by the management and employees of each business unit.
- The risk management and compliance organisation: The second line of defence focuses on coordinating and developing policies, reporting structures and monitoring compliance with statutory rules and internal policies. It is executed by Group Actuarial, Group Risk, Group Compliance & Integrity, Model Validation Unit, the risk management committees and the Risk Management and Compliance departments or officers in each division.
- Internal audit function: The Supervisory Board has a dedicated Risk Committee that reviews the governance, processes, appetite and risk positions. Group Audit performs regular internal audits of key controls. Delta Lloyd is supervised by the relevant external supervisory authorities in the Netherlands and Belgium.

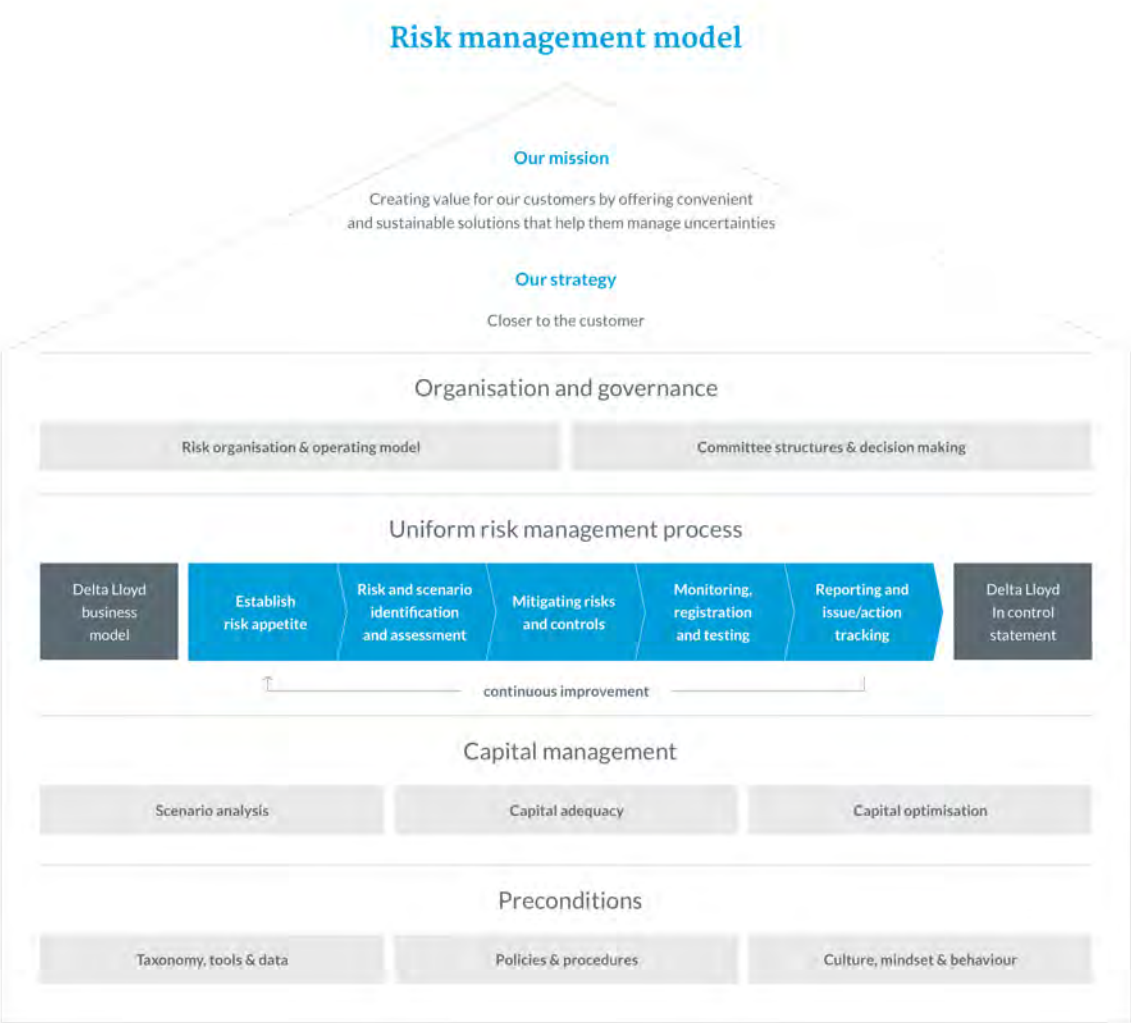
Various risk committees analyse and monitor risks within their areas of expertise and prepare reports and advice for the Group Risk Committee (GRC) and for the Executive Board to facilitate their decision-making. At business unit level, this task is delegated to each unit's own risk committee and audit committee.

Risk management responsibilities

- The Executive Board is responsible for decisions relating to Delta Lloyd's risk profile and determines the company's overall risk appetite at least once a year. The Executive Board also assesses and approves the GRAS. The risk appetite sets the limit for key risks in each business unit.
- The Supervisory Board assesses the way the Executive Board manages risks and monitors the consequences of its decisions for the risk profile.
- The Group Risk Committee (GRC) prepares for risk decisions by regularly analysing Delta Lloyd's risk profile and solvency and making specific policy proposals. The GRC comprises senior executive officers, including the chairman of the Executive Board, the group's CRO and CFO and the managing directors of the business units. The committee's risk analyses focus on the consolidated economic balance sheet and risks that Delta Lloyd faces, taking account of restrictions arising from banking and insurance regulations at entity level.
- Group Risk advices the Group Risk Committee.
- The ICT, HR, ESG and Finance Boards monitor respectively ICT risk, information security risk, business continuity management risk, sustainability risk, HR risk and financial reporting risk.
- The management of each business unit is responsible for identifying, assessing and controlling the risks falling within their unit's responsibility.
- The chief risk officer carries overall responsibility for the independent oversight of all risks. Group Risk is responsible for the overall risk framework and monitors the effective management of these risks. The director of Group Risk bears delegated responsibility for the supervision of all risks.
- Group Actuarial is responsible for steering the actuarial function and compliancy with Solvency II. Group Compliance is responsible for monitoring Solvency II compliancy.
- Group Compliance & Integrity is responsible for compliance and the financial crime unit.
- The Financial Accounting & Reporting department is responsible for financial management and reporting and advises and instructs the business units. In addition, it is responsible for controlling, monitoring and reporting on Delta Lloyd's tax position, and compliance with tax laws and provisions.
- Group Audit reports to the Executive Board and the Audit Committee of the Supervisory Board and is responsible for internal audits to establish the effectiveness of our internal control systems.
- Group policy owners are responsible for providing oversight of specific risks and for monitoring the risks across the group.

Risk processes and systems

Delta Lloyd's risk management framework is based on the enterprise risk management (ERM) model of the Committee of Sponsoring Organisations of the Treadway Commission (COSO). It meets Solvency II requirements. This framework helps us to understand, quantify and manage the risks to which we are exposed. Management information and governance are linked according to the cycle below.



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

- The management of each business unit assesses and manages its own risks and controls and updates its risk profile every quarter. These reports and processes include own risk and solvency assessments (ORSA) that are carried out at least once a year as a requirement of Solvency II. They cover the control of inherent risks, effectiveness of controls and an assessment of the probability and consequences of residual risks. One major objective is to keep residual risks within the limits of the defined risk tolerance. ORSA is a more forward-looking risk management exercise, to oversee and manage the effects of risk scenarios over a longer period.

- Each quarter, Group Risk draws up a financial risk report for Delta Lloyd. It addresses financial factors, such as recent developments in the financial markets and their consequences for our capital position. We use an economic capital model based on stress test analyses and stochastic scenario analyses. Risk positions (including hedges) are assessed to determine whether they are still compatible with our risk appetite. Collateral is managed on a day-to-day basis.
- Delta Lloyd Bank carries out its own annual risk assessment, known as the internal capital adequacy assessment process (ICAAP). This is in line with CRD IV, the revised solvency framework for the banking sector based on Basel III, as implemented in the Dutch Financial Supervision Act. The ICAAP indicates whether the current capital position is still sufficient, given the risks to which Delta Lloyd Bank is exposed.
- Our investment firm, Delta Lloyd Asset Management, carries out its ICAAP in line with CRD IV, as implemented in the Dutch Financial Supervision Act. The ICAAP indicates whether the current capital position is still sufficient, given the financial risks to which Asset Management is exposed.
- Group Risk coordinates the annual GRAS, which defines the appetite for all risks within Delta Lloyd. It is used to cascade risks down to the risk appetite statements of the business units.
- Delta Lloyd has set up its own internal financial control framework based on the top-down risk approach of the Sarbanes-Oxley Act.
- To assess our operational risk, the bank, asset management and insurance segments use a series of key risk indicators that are partly based on Basel II. In addition, we have a system for recording all operational losses above € 10,000 in all business units and, as a member of ORIC International loss data consortium, we have access to a database of external losses.
- Business units with large corporate customers apply a risk analysis and a risk management method that is subject to verification by external auditors. These units issue an ISAE 3402 statement regarding their internal controls (the standard for auditing service organisations).
- The Group Legal and Group Compliance & Integrity departments guide our legal and regulatory risk management. Group Compliance & Integrity is also responsible for our compliance network and for the Regulators Office within Group Compliance.

Risk culture

The Executive Board and directors determine Delta Lloyd's risk culture and appetite. They set the example for the rest of the organisation. It is imperative they are approachable on risk management issues and open to discussions about improvement. In addition:

- Executive Board members include risk management objectives in the performance goals of directors.
- Business unit directors are directly responsible for implementing enterprise risk management activities.
- The Executive Board and heads of the various risk committees provide an overview of risks and the actions they have taken to address these.
- Executive Board members and directors regularly encourage staff to comply with the company's code of conduct.

- To promote effective risk-based decisions the chairman of the Executive Board, chief risk officer and chief financial officer ensure that senior and operational managers put into practice the principles contained in Delta Lloyd's CEO Guide – Better Business Decisions and CFO Guide – Better Business Decisions.

We use a number of systems and tools to support the risk management cycle (analyses, reports, workflow management charts). These include interfaces with systems within our business units that deliver management information and data for specific risk management systems. Data quality is crucial. Naturally, we pay close attention to good system support and technology. Delta Lloyd has specific policy documents for the EC model: the data policy, model policy and validation policy. The CRO Board reviews the effectiveness of the controls on the systems and tools that we use to manage risk.

Risk taxonomy

Delta Lloyd's risk management process has developed into an integrated enterprise risk management process and fits into our preparation for Solvency II. It consists of a risk management cycle where each action is a stepping stone for the next. We carry out risk assessments and risk calculations to:

- Determine how much risk we are prepared to accept (Delta Lloyd's risk appetite);
- Determine the probability of risks occurring and their consequences, as well as potential scenarios and the possible regulatory capital consequences; and
- Decide on the measures, or additional measures, that should be taken.

In the line management and reporting phase of the cycle, management delivers reports that are used to make decisions, which subsequently lead to action in the planning and change phase. The risk appetite for the adjusted business activities must then be re-determined and the cycle begins again. Each business unit uses the GRAS to generate appetite statements. These are reviewed and adjusted at least once a year.

Recognising the requirements of our different stakeholders, we measure solvency on a number of bases, all of which we take into account when we manage solvency. For 2016, a Solvency II SF ratio target range of 140%-180% was set for external reporting. The GRAS states that the EC model will be used to make internal risk management decisions while we concurrently manage these risk decisions within the boundaries of the reported 140%-180% SF ratio range, thus constraining Delta Lloyd's risk taking.

The strategic risk assessment (SRA) and risk and control self-assessment (RCSA) are important elements of the risk management cycle. This is a mechanism for identifying and assessing risks, including scenarios (a combination of risks occurring at the same time). It also assesses the effectiveness of our existing controls and identifies gaps in those controls. The SRA and RCSA are integral to the ERM framework and the own-risk and ORSA processes. This is because we can integrate and coordinate our risk identification and risk management efforts and generally improve the understanding, control and oversight of our risks.

We use the findings of the SRA and RCSA to formulate appropriate action plans that address identified control gaps, taking into account risk-reward (cost-benefit) considerations. Progress on these plans is monitored as part of our overall risk management approach. In this respect, RCSA promotes analysis and monitoring of factors that affect the level of risk exposure. Formal quarterly risk profile updates and ORSA are typically extracts and focus points brought forward from general RCSA exercises.

A consistent and regular information flow helps give management, the Executive Board and the Supervisory Board a deeper understanding and awareness of risk management. We organise regular workshops for the Supervisory Board and Executive Board on topics such as risk management and changes in financial reporting and value, to enhance their understanding of risk control and current developments, such as the preparations for Solvency II. We organise regular workshops for all managers and specialists on themes relating to risk management and financial reporting in general, and Solvency II in particular. A special web-based portal contains all available information on risk management and Solvency II, as well as a summary of the developments relevant to Delta Lloyd.

Delta Lloyd has a set of formal policies to manage and control all financial and non-financial risks – the so-called risk universe. The risk universe is the full range of risks that could positively or negatively our ability to achieve our long-term objectives.

Non-financial risk includes sustainability risk, and is an integral part of our regular risk cycle. In 2016, we finetuned our policy on sustainability risk. During our regular risk cycle we refine, update and execute monitoring and process controls. We also look specifically at sustainability risks during the strategic risk assessments at our different businesses. Our policy on sustainable investment includes taking ESG risks into account when making investment decisions. The new ESG Fund takes this policy one step further.

We are talking to our suppliers about sustainability and are setting up agreements with them based on a CSR covenant. We also analysed the sustainability risks of our main suppliers in 2016, see section supply chain management.

The policies cover the following risk areas as specifically mentioned in Solvency II:

- Underwriting and provisioning;
- Asset-liability management;
- Investment, in particular derivatives and similar commitments;
- Liquidity and concentration risk management;
- Operational risk management; and
- Reinsurance and other risk mitigation techniques.

The risk management and internal control policy is the foundation of the risk management and internal control framework. It is designed to support the identification, assessment, monitoring, reporting, management and control of the material risks involved in achieving our business objectives.

Each policy sets out the minimum standards for risk management and internal control in the relevant area within the Group. It recognises that Delta Lloyd is in the business of accepting risk, meaning that we have to put capital at risk in a structured and disciplined manner to successfully execute our strategy. In other words, within the limits set by the GRAS, we must strike a balance between risk and return that allows us to make best use of our capital while displaying the appropriate prudence.

Our management policies provide practical direction on how to safeguard the business from events with excessive operational, financial or reputational impact while enabling us to deliver on our business strategy.

Delta Lloyd recognises four main conceptual categories of risks and policies within the overarching risk management and internal control policy. These are based on the Dutch Corporate Governance Code and describe the risk universe.

- Strategic risk: Strategic risk is defined as the risk to current and future earnings or capital that arises from adverse business decisions, improperly implementing decisions or not responding to changes in customer demand, legislation or the industry, including sustainability. Strategic risk includes the risk of missing targets because the business units do not respond, or do not respond adequately enough, to changes in their business environment.

- Financial risk: Financial risk means the uncertainty of a return and the potential for monetary loss. Financial risk includes credit risk, equity risk, property risk, inflation risk, interest rate risk, currency risk, insurance risk and liquidity risk.
- Operational and Compliance risk: Operational risk is the risk of losses that may occur due to inadequate or malfunctioning internal processes or systems, human error, criminal behaviour or external events. Operational losses may have a direct impact (i.e. give rise to a quantified economic or financial loss) or an indirect impact (i.e. lower sales, opportunity costs or productivity losses that will unfold in the future but may be hard to establish accurately). Operational risk relates to areas such as integrity and fraud, crime, human resources management, information and communications technology, information security (including the risk of online services), business continuity management, physical security and outsourcing. Compliance risk is the risk of not complying with laws, regulations and internal policies and procedures, for example risks related to litigation, compliance and tax. Compliance risk includes risks related to behaviour and culture, conduct and integrity.
- Financial reporting risk: Financial reporting risk is the risk that our financial statements contain a material error. Financial reporting risk includes reserving risk, investment business risk and the risk that the insurance liabilities of our Life and General Insurance businesses are not adequately determined and reported.

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

Top five risks

In 2016, we assessed the risk profile each quarter at both group and business unit level. At the end of the year we identified the following as the top five risks to which Delta Lloyd has the greatest exposure in terms of impact and probability:

- Risk of solvency position not within 140%-180% range
- Risk that the partial internal model (PIM) is not approved
- Risk of negative asset liability management (ALM) movement
- Risk of a sustained low-yield environment and lower ultimate forward rate (UFR)
- Risk of loss of employees, key people and business partners as result of the conditional takeover by NN Group

Risk quantifications and sensitivity analyses are described in section 'Risk management' in the consolidated financial statements.

(1) Risk of the solvency position not within 140%-180% range

This is the risk that our solvency position is not within the 140%-180% range due to failure to deliver on necessary management actions, resulting in Delta Lloyd not meeting its dividend and deleverage targets.

Capital generation is at risk due to competitive market circumstances, higher than expected non-life claims and lower asset returns. We expect our net capital generation will be adversely impacted in the future by ongoing low interest rates as well as the effect of our de-risking programme. The low interest rates imply a high 'UFR drag', which substantially impacts the net capital generation.

We are focused on improving net capital generation through continued cost reduction, refined strategic asset allocation and improved business performance. Our investment strategy is focused on optimising the risk adjusted expected return of the portfolio, while maintaining an appropriate risk profile.

To anticipate on the risk of a solvency position not within 140-180% target range, Delta Lloyd implemented the following mitigating actions in 2016:

- Continued cost reduction;
- Improved business performance;
- Allocated additional resources for analysis and the development of alternative capital management actions;
- Started a new group-wide ALM approach and continued to execute a strategic asset mix;
- Set up a medium-term (year) plan (MTP).

(2) Risk the partial internal model (PIM) is disapproved

This is the risk that the PIM is not approved and that Delta Lloyd has to report according to the standard formula (SF) because of failure to submit a successful internal model application package (IMAP) and not having good data and process governance, which will result in significant impact on the Solvency II ratio and lead to reputation damage with internal and external stakeholders.

Delta Lloyd decided to use the SF in 2016 to calculate its capital position instead of a partial internal model, but continues to work on the development of a PIM with the aim of submitting the IMAP to DNB by 1 July 2017 for approval by 1 January 2018.

More specifically we face the risk that:

1. the PIM is not approved by 1 January 2018, due to not implementing it on time because of possible problems with capacity, capability and complexity;
2. fit-for-use and alignment with market practices are not properly addressed, leading to DNB disapproval of the PIM (or some modules);
3. the capital position does not improve after the PIM is implemented.

These may have a significant impact on the SII ratio and lead to reputation damage among shareholders, financial advisors and customers.

The college of supervisors (CoS, comprising DNB and NBB) expects Delta Lloyd to incorporate appropriate adjustments to its PIM. Should we fail to take the necessary steps to make the PIM compliant, the CoS will assess the appropriateness of the SF in detail and could impose a capital add-on.

To mitigate these risks, Delta Lloyd took the following actions in 2016:

- IMAP support including renowned external parties to provide best practices from other insurance companies with PIMs that are already approved and regular reviews of the programme's management, approach and status;
- Data quality improvement plan to organize data quality governance, update data quality systems processes and take data quality measures from source systems to QRT reporting;
- Bought and implemented new tooling;
- Close and continuous monitoring of PIM developments; The processes of Risk management have been improved and aligned regarding to the IMAP 1.0;

- Close and continuous alignment with the CoS and Executive and Supervisory Boards (CoS and Board engagement).

(3) Risk of negative asset liability management (ALM) movement

This is the risk of large negative ALM movement, caused by an inverted safe haven scenario, resulting in a significant lower standard formula and economic capital (EC) ratio.

The volatility adjustment (VA) is designed to reduce volatility in the balance sheet. In general, in spread widening scenarios, the market value of assets decreases, which is compensated by a decrease in liabilities caused by an increase in the VA. However, the Delta Lloyd balance sheet is also subject to volatility due to a basis risk called the VA mismatch. The VA mismatch is caused by the fact that the VA is based on the spread of a reference portfolio of EIOPA (European Insurance and Occupational Pensions Authority), which differs from the spread on Delta Lloyd assets. In addition, the VA is applied to the liabilities with a higher duration than the fixed income portfolio. Thus spread fluctuations may have different impact on assets and liabilities, resulting in volatility in the balance sheet.

Solvency II SF sensitivities and the own risk and solvency assessments (ORSA) show that that Delta Lloyd Levensverzekering is very vulnerable to credit spread tightening scenarios, but has a potential for uplift in spread widening scenarios (as demonstrated by the 'Brexit'). Spread tightening scenarios, such an inverted safe haven, have a large negative effect due to material underweight in corporates (especially financials) and overweight in AAA/AA sovereigns. In addition, Delta Lloyd is underweighted in BBB/BB sovereigns and overweighted in collateralised bonds, subsovereigns and mortgages/savings-mortgages.

<u>To mitigate these risks, Delta Lloyd took the following actions in 2016:</u>

- Quantified the impact via ORSA and a sensitivity analysis of the inverted safe haven scenario;
- Addressed the VA mismatch in the strategic asset allocation (SAA) optimization process and reinvestment decisions as a sensitivity or constraint.

(4) Risk of a sustained low-yield environment and lower ultimate forward rate (UFR)

This is the risk of a sustained low-yield environment and a lower UFR, caused by accommodative monetary policy, resulting in low net capital generation and not meeting strategic goals.

Sustained low interest rates for a longer period, or policy changes by the European Central Bank or Federal Reserve that lead to adverse unexpected movements in financial markets, will lead to financial losses.

The main challenges are:

- Lower new business values as insurance products, especially life insurance products, become less attractive for customers and pension funds face regulatory restrictions on coverage levels;
- Increasing focus on DC products may lead to lower margins than on DB products;
- The yield on the asset portfolio decreases because instruments need to be rolled over;
- A roll over of assets during a low interest rate period may have a negative tax effect due to the realisation of a profit;
- Realised returns on assets may prove to be lower than returns required by an UFR of 4.2% used for discounting liabilities.

To mitigate these risks, Delta Lloyd took the following actions in 2016:

- Managed interest rate risk under different frameworks;
- Improved long-term strategic asset allocation (SAA), mandate and ALM processes;
- Paid attention to the interest hedging policy, which may need to be re-evaluated in connection with EIOPA's proposal to gradually decrease UFR in the coming three years;
- Decided to periodically re-evaluate assumptions in pricing methodology (RWS) as the long-term average spread may decrease.

(5) Risk of loss of employees, key people and business partners

This is the risk of losing employees, key people and business partners as a result of the uncertainty caused by the conditional take-over by NN Group, resulting in discontinuity of key processes.

A combination of Delta Lloyd and NN Group could provide strategic and capital benefits and synergy opportunities through scaling, capabilities, knowledge sharing and cost reductions. However, it could also present the following threats for Delta Lloyd in the short and medium term.

- New business for Delta Lloyd labelled products may dry up when the brand disappears.
- Uncertainty about the future could have a significant impact on the motivation and behaviour of Delta Lloyd employees.
- Key personnel may leave.

To mitigate these risks, Delta Lloyd took the following actions in 2016:

- Updated employees at a number of town hall meetings;
- Engaged key people in merger-related activities;
- Agreed with NN Group on an integration process that will be executed in a fair, balanced and timely manner, respecting the talents and strengths of people in both organisations;
- Communicated frequently to reduce employees' uncertainty and to involve business partners and customers/corporate customers in the process, next steps and consequences;
- Continued regular dialogues with business partners and customers/corporate customers to explain the situation, clarify uncertainties and reassure them that Delta Lloyd will honour its agreements with customers and advisors.

Compliance

Compliance made major strides in 2016 to implement effective and strong governance at Delta Lloyd. This included setting up a Compliance Board, the Laws and Legislation committee and embedding regular meetings into the governance structure. The functional Compliance network took further shape.

Elements of sustainable governance

Raising governance to a sustainable level is a key focus area for Compliance. In 2016, the department focused on an adequate internal compliance risk and control framework, risk awareness and the role and functioning of the Compliance Board and the Laws and Legislation Committee.

Compliance risk cycle

The compliance risk cycle is a structured approach to identifying, analysing, mitigating, monitoring and reporting compliance risks. The cycle was fully implemented and monitored in 2016 at group level and within the business units with the aim of embedding compliance risk management in everyday business at every level.

Given the introduction of a new EU Privacy Directive in May 2018, privacy was integrated into the Compliance Risk Cycle in 2016. We carried out a Privacy Impact Analysis to assess the impact on Delta Lloyd of the new European privacy rules. A privacy policy was drawn up by the relevant stakeholders and a new privacy procedure is being drafted to further embed the policy in the business.

Risk awareness

Increased risk awareness is one way to mitigate risk and encourage consistent risk aware behaviour. In 2016, Compliance developed the 'We-learning' risk awareness programme. It comprises an interactive workshop where managers and their teams discuss risk awareness and risk conduct. All teams attended We-learning workshops during the year. The open discussions and use of short films featuring key staff members proved to be successful, increasing the effectiveness of the training, raising employee involvement and embedding risk awareness in the organisation.

Laws and legislation

The Laws and Legislation Committee was set up to manage Delta Lloyd's approach to the increased complexity and sheer number of new laws regulating the financial services sector. It provides Delta Lloyd with a group-wide integral approach, structure and commitment to comply with new or adjusted laws.

Oath or affirmation

Due to the circumstances of operating as a Dutch bank and Insurance company certain functions within these organisations are required to take an oath or affirmation. Given the importance Delta Lloyd Group attaches to the oath and affirmation, all staff of Delta Lloyd have been required to participate in the process and a procedure has been installed in order to ensure new employees will also participate in the Oath process. The 'Bankers Oath' was taken by the employees of Delta Lloyd Bank which makes them directly subject to disciplinary rules based on the Banker Oath regulation.

Fraud

Fraud can relate to incidents involving employees or clients. Integrity within our organisation and in our dealings with others is key to protecting our business against fraud. It contributes to a sound organisation, ensures people can trust our products and promotes confidence in our company and the financial services industry as a whole. It also helps us to minimise unnecessary payouts for fraudulent claims which enables us to continue to offer our customers fair products at competitive premiums.

Growing digitalisation continues to change the face of fraud and the ways we can detect and combat fraudulent practices. Delta Lloyd's Integrity Office continued its efforts in this area in 2016. Its activities include assessing and monitoring fraud risks, analysing data and working in close cooperation with the business to share knowledge and respond effectively to fraud. The Integrity Office also participates in external initiatives such as the IFFC (Institute for Financial Crime), NIVRE (the Dutch institute for register experts) and the CBV (Dutch centre to combat insurance fraud), keeping us up to date with trends and developments in fraud and fraud prevention.

As a result of these activities, more incidents of fraud were detected internally and externally in 2016. The increase is due to internal developments such as digitalisation and an increase in organised crime and other types of fraud externally. The Integrity Office increased its own awareness and detection which resulted in more incidents being noted.

We encourage our employees to act with integrity and speak up without fear of repercussion when they suspect fraud or a risk to integrity. There are several ways employees can report suspected fraud, including by telephone, email or in person. We also have a Whistleblowerpolicy. In 2016, the Integrity Office investigated 43 internal incidents (compared to 26 investigations in 2015). One was initiated under the whistleblower policy. The other incidents were reported to the Integrity Office through the regular channels.

In response to the rise in fraud and to reduce incidents and effectuate better and sustainable fraud risk management in the business units, the Integrity Office will focus more on risk-based activities, prevention and protection in 2017. It has drawn up a reorganisation plan that aims to reduce incidents; strengthen risk-based/second line activities and split activities related to integrity/fraud operations and integrity/fraud risk management.

Corporate governance

Executive Board and Supervisory Board

Executive Board

On 1 January 2017*, our Executive Board members were:

Hans van der Noordaa (1961, Dutch) was appointed to the Executive Board as the chairman 1 January 2015. Prior to this he was a member of the board of ING Bank and ING Group.

Clifford Abrahams (1967, British) assumed his duties on 1 January 2016, prior to his formal appointment to the Executive Board as CFO on 16 March 2016. His previous positions include CFO at Aviva Investors and managing director Financial Institutions Group at Morgan Stanley.

Annemarie Mijer (1970, Dutch) was appointed to the Executive Board as CRO on 21 May 2015. Prior to this, she held various director and management positions at ING Group. Her responsibilities include sustainability, she is chairman of Delta Lloyd's ESG board.

Leon van Riet (1964, Dutch) was appointed to the Executive Board on 19 May 2016. Prior to this, he held various positions at Delta Lloyd as Managing Director of Delta Lloyd Leven and CIO of Group IT

* **Ingrid de Graaf** (1969, Dutch) who was appointed to the Executive Board in 2014, stepped down at 1 January 2017.

Supervisory Board

On 1 January 2017, our Supervisory Board members were:

Rob Ruijter (1951, Dutch) was interim CFO of KLM, VNU/Nielsen, ASMI,and interim CEO of VION. He was appointed to the Supervisory Board in 2014, and has been the chairman since October 2015.

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

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

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

Fieke van der Lecq (1966, Dutch) is i.a. part time professor of pension markets, VU University Amsterdam. She was appointed to the Supervisory Board in 2010.

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

John Lister (1958, British) is the former CRO of Aviva Group and CFO of Aviva UK Life. He was appointed to the Supervisory Board at the AGM on 19 May 2016.

Paul Nijhof (1965, Dutch) is the former Chairman and CEO of 3Si Commerce, Otto Group and prior to that held various board positions in RFS Holland Holding BV and Wehkamp B.V. He was appointed to the Supervisory Board at the AGM on 19 May 2016.

Supervisory Board committees

Audit Committee
Jan Haars, chairman
Rob Ruijter
Fieke van der Lecq
John Lister
Eric Fischer

Risk Committee
John Lister, chairman
Jan Haars
Fieke van der Lecq
Paul Nijhof
Rob Ruijter

Remuneration Committee
Clara Streit, chairman
Rob Ruijter
Eric Fischer
Paul Nijhof
André Bergen

Nomination Committee
Clara Streit, chairman
Rob Ruijter
Eric Fischer
Paul Nijhof
André Bergen

Report of the Supervisory Board

In 2016, the Supervisory Board continued to support and challenge the Executive Board in stabilising and transforming the company. Good progress was made on implementing the 'Closer to the Customer' strategy and the management priorities of capital, performance and customers. In addition, the group's capital position substantially improved. Delta Lloyd successfully executed the rights issue of EUR 650 million, sold its shareholding in Van Lanschot and implemented certain ALM actions. The group's capital and liquidity position is now within the Supervisory Board's appetite range, albeit at the low end, though its leverage is still relatively high. In March, Fubon and Delta Lloyd signed a heads of agreement on an enhanced partnership and Fubon's support for the rights issue. Delta Lloyd agreed to nominate a Supervisory Board member designated by Fubon, subject to applicable approvals and employee consultation, should Fubon's ordinary share ownership reach a 15% level.

Delta Lloyd now operates satisfactorily in the new Solvency II regulatory regime and is well prepared to move from the standard formula to the partial internal model at the end of 2017. We anticipate this will improve the capital position further.

In addition to strengthening its capital and cash position, Delta Lloyd made good progress on reducing expenses, focusing on capital-light products and withdrawing from certain unprofitable markets to make the business even more resilient in a low-interest, low-return environment.

Of course, the year was not without its challenges. A core investor, Highfields, initiated legal proceedings to challenge the need for the rights issue, which they lost. Interest rates fell further and markets were more volatile post-Brexit meaning Delta Lloyd's capital position and profits were lower than anticipated. The environment remains tough, with volatile markets, record low interest rates, leading to low yields and EIOPA's pending review of the ultimate forward rate (UFR) methodology.

In addition, Delta Lloyd received an unsolicited bid from NN Group. This required our full attention during the fourth quarter. Together with the Executive Board we made a thorough assessment of the offer versus continuing as a standalone company and other strategic alternatives. In our deliberations we weighed the interests of Delta Lloyd and its stakeholders, including the shareholders. We gave careful consideration to determine the best strategic option for Delta Lloyd. We were extensively advised by our financial and legal advisors during this process, which is outlined in detail in the EGM documentation. Digital copies of the EGM documentation are available on Delta Lloyd's website and free of charge at its head office in Amsterdam. We carefully reviewed and assessed the financial and non-financial aspects of the offer and considered and discussed the current financial position of Delta Lloyd, financial regulatory developments as well as Delta Lloyd's prospects. We concluded the offer was in the best interests of Delta Lloyd and its stakeholders. As a Board we decided to recommend the offer of € 5.40 per share in cash. On 23 December 2016, NN Group and Delta Lloyd jointly announced they had reached conditional agreement on the offer. Delta Lloyd will hold extraordinary general meetings of shareholders on 29 March 2017, during which the offer and the legal merger will be discussed and shareholders will be asked to vote on certain resolutions in connection with the offer and on the legal merger resolution.

Subject to the offer being declared unconditional and the relevant resolutions having been adopted at the EGM, as of the settlement date, the composition of the Supervisory Board will change. Rob Ruijter and Clara Streit will continue to serve on the Supervisory Board, and Mr Ruijter will remain as chairman. In addition, NN Group CEO Lard Friese, CFO Delfin Rueda and CRO Jan-Hendrik Erasmus will be nominated for appointment to the Supervisory Board as of the settlement date. Their nominations are supported by Delta Lloyd's Works Council and approved by DNB and the AFM. As continuing members of the Supervisory Board, Rob Ruijter and Clara Streit will monitor and protect the interests of all Delta Lloyd's stakeholders, including, in particular, monitoring the non-financial covenants in the merger protocol. They will continue to serve on the Supervisory Board, or, should the Delta Lloyd Supervisory Board no longer exist, be appointed to the NN Group Supervisory Board, for the duration of the non-financial covenants.

Role of the Supervisory Board

The Supervisory Board oversees and advises the Executive Board in setting and fulfilling the company's objectives, strategies and policies. Delta Lloyd has a two-tier structure, which requires a well-managed relationship between the Executive Board and the Supervisory Board. Each of the Boards has specific responsibilities, but they share responsibility for the company's strategy and risk profile. The Supervisory Board puts the long-term interests of Delta Lloyd's stakeholders including its policyholders and shareholders, central in its decision-making. These interests form the basis for supervising Delta Lloyd's strategy and progress.

This report explains how the Supervisory Board fulfilled its duties and responsibilities in 2016 and describes the Supervisory Board's practices and procedures. The report should be read in conjunction with the other parts of the corporate governance, which outlines the company's corporate governance structure and provides additional factual information on how Delta Lloyd is managed. A profile of the Supervisory Board members, as amended in May 2016, is available on the Delta Lloyd website. A detailed account of the company's results can be found in the Executive Board report.

Strategy

The Supervisory Board and Executive Board discussed the strategy of Delta Lloyd at their annual off-site meeting in June 2016. These discussions focused on how to guide Delta Lloyd solidly into the next decade after a very turbulent period for the company.

Delta Lloyd operates in a highly competitive, mature market, which is on the verge of consolidation and where margins on both life and non-life products are under pressure. To remain competitive will require large investments in, for example, online services, digital processes and a competitive cost. It also requires scale benefits to deliver acceptable margins. The Executive and Supervisory Boards believe consolidation in the Dutch market will take place in the near or mid-term future.

The low interest rate environment is expected to remain for years to come and knowledge in the insurance sector is changing dramatically due to Solvency II. We discussed streamlining the product portfolio to generate more capital, new opportunities in the Dutch pensions market, such as the general pension fund (APF) Delta Lloyd planned to introduce, as well as possibilities to reduce costs. With regard to the Belgian business, we discussed strategic options to improve its operational performance and returns. We subsequently agreed to branching the Belgium business with anticipated capital and efficiency benefits.

During the strategy session there was an update on the online and digital developments as part of the 'Closer to the customer' strategy. This strategy to further improve customer satisfaction and loyalty is at the very core of our business. The relationship between customers and improved services is pivotal in everything Delta Lloyd does. New technology and the way it is used to communicate with customers and partners has a major role in this process. Technology can help the company to better capture information about customers and develop innovative new products that meet their needs and ensure they want to remain with Delta Lloyd. Some parts of the business, such as BeFrank and OHRA are frontrunners in the new online environment.

A constant and key component of the strategy is managing risk and capital. This was especially important in 2016 with the implementation of Solvency II. As a result, Delta Lloyd accelerated the shift to a more fee-based business model and to lower risk, less volatile products with a relatively higher Solvency II risk-adjusted return. Solvency II has changed the way we look at capital and its impact will resonate in the industry for many years.

Finally, the Supervisory Board discussed the macro trends influencing the insurance landscape of the future namely, the ageing population and the increasing responsibility on individuals to deal with the uncertainties around funding their own retirement.

Key issues in 2016

In 2016, the Supervisory Board devoted particular attention to the following subjects.

Risk

Risk is intrinsic to the insurance industry and therefore also to Delta Lloyd. The Supervisory Board discussed risk at every meeting. Delta Lloyd significantly improved the internal structure of its risk and compliance functions. As a result, risk is more fully embedded. There are risk teams now operating at every level of the group, enforcing the first and second line of defence. During the year, the Executive Board and risk organisation regularly updated the Supervisory Board about the main risks facing Delta Lloyd. These risks stem from low interest rates, longevity, capital adequacy and spread risk: especially given the balance sheet volatility under Solvency II rules.

Risk factors change in line with the changes the company faces due to new regulations and developments in society. In 2016, improved controls were implemented throughout Delta Lloyd, with special attention paid to cyber risk.

Executive Board succession

In March, following the Extraordinary Meeting of Shareholders, the Supervisory Board formally appointed Clifford Abrahams as the new CFO of Delta Lloyd. The Supervisory Board had devoted considerable attention to finding a new CFO in 2015. Mr Abrahams stepped into the role on 1 January 2016. See the Remuneration Committee report for details of his remuneration package.

On 1 February 2016, Delta Lloyd announced the decision of Executive Board member Onno Verstegen to leave the company, in amicable agreement. The Supervisory Board spent time discussing his replacement. On the backdrop of a preference for internal candidates, Leon van Riet, managing director of Delta Lloyd Leven, matched the profile the Supervisory Board had drawn up. He was formally appointed to the Executive Board after the annual General Meeting in May 2016. His remuneration package is comparable to that of other members of the Executive Board. Please see the Remuneration Committee report for details.

In December, Delta Lloyd announced Executive Board member Ingrid de Graaf's decision to leave the company and pursue her career elsewhere. She left in January 2017, after finalising and transferring her duties.

While Executive Board succession was mostly discussed by the Nomination Committee, it remained a key issue on the agenda of the full Supervisory Board in 2016. The Supervisory Board regularly discusses the succession of Executive Board positions and executive development in preparation for the future and to ensure continuity of the company's leadership.

Solvency II and the capital position

Solvency II came into effect on 1 January 2016. Solvency II adopts a risk-based approach to capital requiring insurers to hold capital for insurance, investment and operational risk. Strengthening Delta Lloyd's capital position under the Solvency II regime was a priority for the Supervisory Board in 2016 .

In March, Delta Lloyd successfully concluded a EUR 650 million rights issue that raised additional equity capital and helped to ensure a more resilient capital position. Discussions with shareholders about the rights issue required time and energy from both the Executive Board and the Supervisory Board. It was approved at an Extraordinary General Meeting on 16 March 2016.

Optimising the capital position of the company in 2016 has been a key area of discussion for the Supervisory Board. Aside from the rights issue, the Supervisory Board discussed the sale of Delta Lloyd's stake in Van Lanschot, de-risking assets and the shift to capital-light products. These measures have led to a higher Solvency II ratio and a substantially improved capital position. Put alongside our plans to introduce a partial internal model by the end of 2017 and the merger of our Dutch and Belgium Life business (which will not be finalised before completion of the acquisition by NN Group) the Board believes these actions will give Delta Lloyd a strong foundation from which to execute its strategy.

Other issues

Diversity

Delta Lloyd wants to be an inclusive organisation with a workforce which reflects society at large. It actively seeks opportunities to enhance gender diversity at all management levels. The Supervisory Board itself aims for a gender balance of at least 30% female members and 30% male. In 2016, two of our members were women. Following the appointment of two new members in 2016, both male (one Dutch and one British), this meant gender diversity in the Supervisory Board decreased to 25% from 33%. While we had explicitly sought female candidates in the recruitment and selection process, and identified and considered several women, the male candidates were preferred in the interest of a team with the right mix of expertise, background and personality.

In the event a vacancy should arise we will follow a similar strategy: explicitly look for viable female candidates and consider them as equal to any male candidates, supported by a respected and fair process with inclusive and open-minded interviewers and decision makers.

Lifelong learning

Supervisory Board members attended several internal workshops and learning modules during the course of the year, in line with their commitment to lifelong learning. Among the subjects covered were Finance, capital and reporting, capital generation, IT architecture and digital, governance and regulation and interest rate risk.

Supervisory Board composition

At the annual General Meeting of Shareholders on 19 May 2016, John Lister and Paul Nijhof were appointed as new members of the Supervisory Board. They bring a great deal of relevant experience to the Board, in insurance and risk, as well as technology and digital knowledge.

John Lister, who is British, was the CFO of the largest life insurance company in the UK, Aviva UK Life, and was formerly the Aviva Group Chief Risk Officer. Mr Lister was appointed as the chairman of the Risk Committee and has a seat on the Audit Committee.

As the former CEO of Dutch online retailer Wehkamp, Paul Nijhof has extended experience in managing large consumer operations with a focus on online, e-commerce, digital marketing and big data. Given the growth of Delta Lloyd's digital presence, the Supervisory Board had been looking for a member with this specific knowledge. Mr Nijhof's nomination was endorsed by the Works Council. He is a member of the Remuneration Committee, Nomination Committee and Risk Committee.

We are very pleased with these new additions to the Supervisory Board.

Supervisory Board meetings

The Supervisory Board met around 30 times in 2016. Five of these were regular meetings. The rest were convened to discuss particular topics: one meeting was devoted to the company strategy; two to the appointments of Clifford Abrahams as CFO and Leon van Riet as a member of the Executive Board; several meetings related to the rights issue in March; and several related to the approach by NN Group.

All members were present at the regular meetings and in nearly all of the extra meetings. One member could not attend the meetings in August. In the exceptional event that a member could not be present, the relevant member was closely involved and fully updated the following day.

The Supervisory Board chairman and the chairmen of the Risk and Audit Committees met additionally to discuss the rights issue. There was also a great deal of bilateral contact between individual Supervisory Board members outside of the meetings. In addition, between meetings, the chairman of the Supervisory Board maintained intensive contact with the chairman of the Executive Board concerning general affairs.

The chairman of the Audit Committee had frequent contact with the CFO and his staff. The chairman of the Risk Committee held frequent talks with the CRO, the chairman of the Executive Board and the CFO. The chairmen of the Remuneration Committee and the Nomination Committee had direct contact with the Chairman of the Executive Board, who is responsible for human resource management, and the respective corporate staff director.

The Supervisory Board takes an active interest in developing talent in the management layer immediately below the Executive Board and meets with individual managers. The Supervisory Board also frequently interacts with the Works Council and our members take turns to attend its regular meetings with the Executive Board. Two tripartite meetings with the Supervisory Board, Executive Board and Works Council took place in 2016. There were also informal consultations between the chairmen of the Supervisory and Executive Boards and the executive committee of the Works Council. The Supervisory Board monitors the subjects raised in the consultative meetings and appreciates the contact with the Works Council.

Supervisory Board committees

The Supervisory Board organises its tasks across four committees: the Audit Committee, Risk Committee, Remuneration Committee and Nomination Committee.

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

Audit Committee

The Audit Committee met seven times in 2016. The meetings were attended by the CFO, the chairman of the Executive Board and the CRO, as well as various senior executives. The external auditor was present in six of the meetings.

The members of the Audit Committee in 2016 were, until May, Jan Haars (chair), Fieke van der Lecq, Rob Ruijter and André Bergen. After the appointment of the two new Board members at the General Meeting of Shareholders, the composition of the committees changed. The Audit Committee now consists of Jan Haars (chair), Fieke van der Lecq, Rob Ruijter, John Lister and Eric Fischer.

The main topics the Audit Committee discussed are outlined below.

Capital position

The committee discussed the company's capital position in light of the change from IGD solvency to Solvency II. The management actions and the rights issue in March were major topics of discussion. The committee approved the declaration of the interim dividend, the adjustment of the IFRS liability valuation curve, LAC DT, and the mortality table update. It also discussed various measures to reduce capital consumption, the anticipated level of the cash dividend after the rights issue, a new dividend policy and the precise mechanics of tiering constraints.

Reporting

Each quarter, the Audit Committee discussed the company's financial and management reporting, including key judgements. Focus was on the KPIs for all reporting segments, including the IFRS results and the development of operational and commercial results. The committee also discussed the reports prepared by Group Actuarial and the Internal Audit and Integrity departments. Other topics on the agenda were: IT controls; key performance indicators going forward; net capital generation; the IFRS yield curve, pro-forma new operational result; Solvency II and IGD; the classification of the Van Lanschot investment; pension accounting; the tax position; credit rating; legal letters; the VNB calculation; GI reserving, the valuation of various asset classes and the Belgian operations.

Internal control framework, internal audit, integrity and compliance

Maintaining a robust internal risk and control framework remains a high priority for the Audit Committee and for Delta Lloyd's management. It is a requirement of the Solvency II rules and regulations. In 2016, Delta Lloyd further strengthened its internal risk and control framework by integrating the RCSA (risk control self assessment) and SRA (strategic risk assessment) methodology and further embedding issue tracking in the risk management processes.

The Internal Audit and Integrity departments report to the Audit Committee and various issues were extensively discussed. These included portfolio management at Asset Management and the risk management audit. The committee gained more insight into the IT risks the company faces and measures to mitigate these. In the fourth quarter, the Audit Committee decided to delegate the reporting of the Integrity department and the whistle blower policy to the Risk Committee.

External auditor
The external auditors attended six of the seven Audit Committee meetings. They actively participated in the discussions and gave their feedback on quarterly results press releases and informed the committee of their views on the financial management of the company through the management letter. The Audit Committee also discussed the possibility of an audit tender, which was put on hold following the NN announcement.

Management letter
On 12 December 2016, the Audit Committee discussed the management letter with the Executive Board and the external auditor. The letter flagged the following topics: execution of the capital plan and strategy for 2020; restructuring in the Finance and Actuarial departments; the intended merger of the main Dutch and Belgian Life entities; restructuring Delta Lloyd's own employee pension contract from a defined benefit to a collective defined contribution scheme; GI reserving; sustainability reporting; and the Solvency II process and governance. The Audit Committee discussed these subjects with management, and decided to continue monitoring the implementation and effectiveness of the respective policy measures.

Risk Committee
The Risk Committee met six times in 2016. The members of the Risk Committee were, until May, André Bergen (chair), Eric Fischer, Fieke van der Lecq and Rob Ruijter. Following the appointments of the two new Board members in May, the Risk Committee consists of John Lister (chair), Jan Haars , Fieke van der Lecq, Paul Nijhof and Rob Ruijter.

At each meeting, the Risk Committee considered the risks Delta Lloyd is exposed to in four broad categories – strategic, financial, operational & compliance and financial reporting – and assessed whether they were within appetite. Risk appetite statements exist for each of these risks and are agreed annually by the Board. Where risks were found to be outside of appetite, the committee requested plans to bring them back within appetite.

The main topics discussed by the Risk Committee are outlined below.

Financial risks
Financial risks consist of market risks and insurance risks. Market risk covers the group's exposure to movements in interest rate, spreads on corporate and government bonds, mortgages, equity and property markets. The group holds significant amounts of capital for market risk. As such it was a regular topic of discussion for the Risk Committee.

Insurance risk covers expenses, persistency, longevity, mortality, disability and other insurance risks such as motor and home. Given the size of the risk, the committee spent most time considering its exposure to longevity risk, which arises from Delta Lloyd's exposure to clients entitled to an annuity or pension.

Operational and compliance risks
The main topic considered by the committee was Delta Lloyd's exposure to risks arising from the 'Closer to the customer' strategy and specifically the greater risk of data loss and cybercrime. Disaster recovery was also considered. This area also covers legal and compliance risks alongside the associated reputational risks.

The digitalisation of information means companies today face an extensive spectrum of operational, non-financial risks ranging from business continuity to compliance and reputation risks. The Risk Committee also discussed the IT risk reports, which include the risk of outages, cybercrime and fraud.

Other material areas of discussion were:

- The choice of model for calculating the group's capital position and progress on achieving a partial internal model by the end of 2017;
- The Own Risk and Solvency Assessment (ORSA) Report issued to DNB;
- The adequacy of the Risk function; the separation of responsibilities between the first and second line of defence; and governance around key function holders including the Actuarial Function Holder;
- Progress within the group on having an appropriate 'culture and behaviour';
- Risks to the group and its stakeholders arising from the NN bid.

Remuneration Committee

The Remuneration Committee met four times in 2016. Until May, the Committee consisted of Eric Fischer (chair), Rob Ruijter, Jan Haars and Clara Streit. Following the appointment of two new Supervisory Board members the composition changed and the Committee now consists of Clara Streit (chair), Rob Ruijter, Eric Fischer, André Bergen and Paul Nijhof.

The Committee is responsible for drawing up the remuneration policy and advising the Supervisory Board on remuneration. Its standard duties include assessing achievement of the Executive Board's performance targets and setting targets for short-term and long-term incentives. In 2016, the Remuneration Committee paid particular attention to the following topics.

Variable remuneration
In 2016, the Remuneration Committee reduced the number of performance targets against which Executive Board members are evaluated to qualify for variable remuneration, making the process more transparent. These are specific and measurable financial and non-financial targets based on Delta Lloyd's strategy and long-term objectives.

To safeguard the interests of stakeholders, variable remuneration for the Executive Board is paid exclusively in shares. In addition, these shares are subject to a lock-up period of five years. Half of the variable remuneration vests at the end of the performance period (immediate variable remuneration) and the rest vests in three equal tranches, over a period of three years (deferred variable remuneration), subject to a possible adjustment based on the ex-post risk analysis.

Benchmark peer group
Assisted by external advisors, the Remuneration Committee monitors remuneration policy trends and developments and regularly assesses whether current policy corresponds with the latest market practices and corporate governance provisions. We benchmark the salaries of our Executive Board by companies in a cross-industry peer group, as well as a peer group of financial service providers. In the cross-industry group of 15 AEX companies, including NN Group, KPN, Arcadis and TomTom. Here, our market position is around the median. The financial services group comprises 16 companies from the eurozone, Benelux and Scandinavia, with a focus on insurers and large Dutch which includes Belgian Ageas and AXA Belgium, Austria's Vienna Ins and Sampo of Finland. Here, too, Delta Lloyd is around the median.

Nomination Committee

The Nomination Committee met six times in 2016. It is chaired by Clara Streit. Until May, the other members were André Bergen, Rob Ruijter and Eric Fischer. After the appointment of two new members, the composition of the Committee changed and it now consists of Clara Streit (chair), André Bergen, Rob Ruijter, Eric Fischer and Paul Nijhof.

The committee's standard duties include assessing the size and the composition of the Supervisory Board and Executive Board and the functioning of its individual members, succession planning, preparing for appointments, and monitoring corporate governance.

A key activity for the Nomination Committee in 2016 was to finalize the search for a new member of the Executive Board and for two new Supervisory Board members . The committee developed detailed profiles for each of the positions, assessed all the candidates and monitored the overall selection process and appointment of the new members. It worked closely with the full Supervisory Board on this and consulted the Works Council. The search was supported by external experts.

The Nomination Committee selected Leon van Riet to succeed Onno Verstegen on the Executive Board after he left the company in early 2016.

The Nomination Committee also finalised the process to fill the two vacancies on the Supervisory Board. The search focused on candidates with insurance experience as well as technology expertise, given the growing role of information technology in Delta Lloyd's business model. This resulted in the nominations of John Lister and Paul Nijhof. Both were appointed by shareholders at the annual General Meeting. The Committee also started the process to find replacements for Jan Haars and Eric Fischer, whose final terms will expire in 2018.

Governance and remuneration

Profile and vacancies
The profile of the Supervisory Board is based on the company's business objectives and main risks. In performing its duties, the Supervisory Board aims to have significant expertise, knowledge and experience available in four areas:

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

We strive for a Supervisory Board composition that contains all these elements.

The composition of the Supervisory Board changed in 2016 with the appointments of John Lister and Paul Nijhof.

All members of the Supervisory Board are independent of the company in the sense meant by the Dutch Corporate Governance Code.

The current membership of the Supervisory Board is set out in section Corporate governance - Supervisory Board of this annual report. The relevant biographical details of the Supervisory Board members can be found on the corporate website.

Self-evaluation Supervisory Board
Every year, the Supervisory Board evaluates its own functioning and that of its separate committees and individual members, in accordance with best practice provision III.1.7 of the Dutch Corporate Governance Code. Once every three years, it is assisted in its self-evaluation by an external consultant. Over financial year 2016, the Supervisory Board conducted a self-assessment of its functioning, its committees and its individual members. It also evaluated the engagement of the individual members, the dynamics within the Board, its relationship with the Executive Board, the culture within the Supervisory Board, the effectiveness of its permanent education programme and the role of committees versus the role of the full Supervisory Board.

Executive Board remuneration
Dutch legislation caps bonuses for financial sector employees in the Netherlands at 20% of their annual salary. The Supervisory Board believes that the financial strength of a company is best served by a remuneration policy that can expand or contract with the company's long-term success. To safeguard shareholders interest, the increase in fixed remuneration will be paid out in the form of shares and the payment of variable compensation will be paid exclusively in shares.

Supervisory Board remuneration
Supervisory Board remuneration did not change in 2016.

Financial statements and profit appropriation

In accordance with the provisions of Section 2:101(3) of the Dutch Civil Code, we submit the financial statements drawn up by the Executive Board to the General Meeting of Shareholders for adoption.

Taking into account the unqualified auditor's report of Ernst & Young Accountants LLP, which is included in this annual report, we recommend that the shareholders adopt the financial statements.

In accordance with Article 44 of the Articles of Association, the Supervisory Board approves the profit appropriation as disclosed in section profit appropriation.

A word of thanks

We wish to thank our shareholders for their continuing support in a challenging year. We are grateful to the Executive Board for its leadership and would like to thank all the company's employees, who once again displayed their professionalism and dedication in 2016.

The Supervisory Board

Rob Ruijter, chairman
Eric Fischer, vice-chairman
André Bergen
Jan Haars
Fieke van der Lecq
John Lister
Paul Nijhof
Clara Streit

Remuneration report 2016

This report sets out Delta Lloyd's remuneration policy for members of the Executive Board and Supervisory Board and the remuneration paid in 2016. In line with market practice this Remuneration report also contains information about the variable incentive plan (VIP) for 2016, which will be paid out in 2017.

Remuneration policy

The primary objective of the remuneration policy is to enable Delta Lloyd to recruit, retain and motivate employees and to stimulate excellent performance. The policy aligns with and strengthens Delta Lloyd's strategy and core values (honesty, approachability and working together). It is prudent, moderate and sustainable and meets the requirements of Delta Lloyd's risk policy, the law and regulations. The policy dates from 2011. It was amended in May 2013, July 2015, February 2016 and December 2016.

Governance of the remuneration policy

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

The Remuneration Committee prepares the Supervisory Board for decisions on matters within its remit. The committee reports its findings and recommendations to the Supervisory Board which is collectively responsible for fulfilling the duties delegated to the Remuneration Committee. Until May 2016 the Remuneration Committee comprised of four members of the Supervisory Board: Eric Fischer, Rob Ruijter, Jan Haars and Clara Streit. As from May 2016 the Remuneration Committee comprises of five members of the Supervisory Board: Clara Streit (chairman since August 2016), Rob Ruijter, André Bergen, Paul Nijhof. Eric Fischer (chairman until July 2016). See section Remuneration Committee for the committee's activities in 2016.

The Supervisory Board decides on the proposed remuneration and checks that it is consistent with risk management and complies with the principles of restrained remuneration. In accordance with best practice provision II.2.13 of the Dutch Corporate Governance Code, scenario analyses have been made which are used to determine the amount and structure of remuneration for members of the Executive Board. The Supervisory Board determines the level of remuneration for individual members of the Executive Board as well as executive managers in control functions (Group HRM & Business Development, Group Compliance & Integrity, Group Audit and Group Risk).

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

Remuneration policy for the Executive Board

The remuneration package for Executive Board members has three components: the base salary, a variable incentive plan and a pension plan. The remuneration policy applies to current and former members of the Executive Board. The remuneration costs are not allocated to the business units and are a part of Delta Lloyd's annual results (included in the staff costs and other employee-related expenditures).

The base salary and variable incentive plan together make up the total direct compensation. To determine whether the total direct compensation is in reasonable proportion to the remuneration policy, an external party conducts a survey every two years. The benchmark survey compares the compensation of the Executive Board members – both base and variable remuneration – against relevant external markets: a peer group of financial institutions and a cross-industry group of comparable businesses. The composition of the reference groups also takes into account the international context. The cross-industry group includes both Dutch and international companies. Selecting the appropriate remuneration level for Delta Lloyd's Executive Board is guided by the median of the two peer groups. The result of the benchmark carried out in November 2016 continues to be in reasonable proportion to the remuneration policy.

Base salary

The base salary of the Executive Board members has not changed in 2016.

Variable incentive plans

On 31 December 2016, only the Variable Incentive Plan was in force for the Executive Board members (the Performance Share Plan 2010 is closed and was fully paid in 2013). The previous long-term Delta Lloyd Phantom Option Plan expired without value in 2016.

Variable incentive plans were introduced in 2011 and comprised 50% cash and 50% shares until 2012. No options were granted. In 2013, the General Meeting adopted a proposal to change the remuneration policy to bring it closer in line with the company's risk appetite and culture. Since 2013, the conditional grant on the Variable Incentive Plan is entirely in shares (deferred payments for performance years 2011 and 2012 are still made 50% in cash and 50% in shares). The variable incentive for the Executive Board members as a percentage of the base salary was adjusted from 100% at ambition level to 50% in 2014 (and from 150% to 75% at outperformance level). In 2015, the variable incentive for the individual members of the Executive Board was adjusted to 20% of the base salary at ambition level as well as outperformance level, in line with the new legislation.

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

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

No variable remuneration is paid to members of the Executive Board for performance below the threshold. If the threshold is cleared, 12.5% of the variable remuneration will be awarded. Variable remuneration awarded at the conclusion of a performance period is capped at 20% of the base salary (outperformance level).

Performance measures

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

The performance targets are specific, measurable and are formulated and communicated at the beginning of each year. The financial and non-financial targets are broken down on a 50%-50% basis and are based on Delta Lloyd's strategy and long-term objectives. When the performance criteria are set, the various stakeholders are taken into account. The table displays the financial and non-financial targets in 2016 and 2015.

Financial targets

2016	2015
Standard Formula ratio	Equity (Solvency II score at end of 2015)
Return on required capital	Total shareholder return
New business value (Life) and technical profits (other segments)	New business (NAPI-life, non-life and new money third party)
Cost level	Business management objective (BMO) efficiency (operational expenses)
Cash dividend	BMO Life group (new business margin), BMO Life individual (new business margin), BMO non-life (COR)
-	Operational result after tax and non-controlling interest

Non-financial targets

2016	2015
Stakeholder satisfaction	Putting the customer first
Compliance stimulation programme	Sustainable employee engagement
Teambuilding senior leadership	Compliance management

In principle, the performance criteria for the group-wide remuneration policy are a combination of criteria at group, business unit and individual level. As the Executive Board has collective responsibility for the management of Delta Lloyd, individual performance targets for the Executive Board members represent around 35% (2015: 15%) of the overall target base. The remaining 65% (2015: 85%) are group targets. Payment of variable remuneration is conditional on achieving the set performance targets during a performance period of one year.

Supplementary risk management measure methods of the Supervisory Board

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

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

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

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

Pensions of the Executive Board

The members of the Executive Board participate in Delta Lloyd's pension plan. There is a dedicated scheme for senior management and members of the Executive Board. New legislation in 2015 reduced the maximum pension accrued to 1.875% (from 2.15%) of the full pensionable salary. The part of the pensionable salary above € 101,519 (2015: € 100,000) is built up based on a defined contribution scheme, which is accommodated by BeFrank (PPI).There are no arrangements for early retirement.

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

- The annual dependants' pension is 70% of the retirement pension;
- The maximum insurable occupational disability pension is € 265,552 per year. The chairman of the Executive Board has a cover of € 577,262 and the other Executive Board members a cover of € 336,869.

As of 1 January 2017 the pension scheme will change for all employees of Delta Lloyd, including the Executive Board. From that date, the Executive Board members will have the same pension plan as other employees, with the exception of the occupational disability pension. For further detail see paragraph outlook of this remuneration report.

Terms of employment and severance pay

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

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

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

Remuneration received by Executive Board members

Base salary and variable remuneration

The base salary for the chairman is set at € 950,000 and his variable remuneration grant is capped at 20% of the base salary.

On 1 January 2016, Clifford Abrahams joined the Executive Board as the chief financial officer. His base salary is € 856,859 and the variable remuneration is capped at 20%. He was granted a sign-on bonus of up to € 828,000, of which 50% will be paid in cash and 50% in ordinary Delta Lloyd shares. It bridges the gap between his salary at Delta Lloyd, which is based on Dutch standards and laws, and his income in the United Kingdom. The bonus is governed by all statutory and regulatory requirements in respect of variable remuneration, including deferral, retention, performance criteria, pay-out in shares and claw back arrangements. The equity part of this bonus represents a maximum of 119,249 shares. The Supervisory Board decided on 14 February 2017 that the performance criteria were met and awarded 100% of the sign-on bonus.

The base salary of the other members of the Executive Board is set at € 592,500 in cash (including holiday pay and a '13th month') in cash and € 65,800 in Delta Lloyd shares. The number of shares is based on the average actual value of a single Delta Lloyd share during the first 10 trading days of the applicable calendar year.

Leon van Riet joined the Executive Board member on 1 March 2016 and was formally appointed on 19 May 2016 by the General Meeting of Shareholders. He has the same base salary and variable remuneration as the other members of the Executive Board. His start date in the tables below is reflected as 1 March.

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

Executive Board members' salaries and incentives

In thousands of euros	2016	2015	2014
Hans van der Noordaa, chairman (from 1 January 2015)	**950.0**	**917.3**	**-**
Salary in cash 1)	950.0	917.3	-
Paid variable remuneration in shares	-	-	-
Clifford Abrahams (from 1 January 2016)	**827.4**	**-**	**-**
Salary in cash	827.4	-	-
Paid variable remuneration in shares	-	-	-
Ingrid de Graaf (from 22 May 2014)	**696.7**	**802.2**	**352.7**
Salary in cash	592.5	592.5	352.7
Salary in shares 2)	75.6	68.3	-
Paid variable remuneration in cash (VIP and Phantom options)	7.5	20.2	-
Paid variable remuneration in shares (VIP and PSP)	21.1	121.2	-
Annemarie Mijer (from 21 May 2015)	**668.1**	**385.1**	**-**
Salary in cash	592.5	348.8	-
Salary in shares 2)	75.6	36.3	-
Paid variable remuneration in shares	-	-	-
Leon van Riet (from 1 March 2016)	**533.0**	**-**	**-**
Salary in cash	470.0	-	-
Salary in shares 2)	63.0	-	-
Onno Verstegen (until 1 June 2016)	**1,071.2**	**880.1**	**873.9**
Salary in cash	267.3	592.5	592.5
Salary in shares 2)	-	68.3	-
Termination benefit	772.5	-	-
Paid variable remuneration in cash (VIP and Phantom options)	-	33.4	33.4
Paid variable remuneration in shares (VIP and PSP)	31.4	185.9	248.0
Emiel Roozen (until 3 August 2015)	**-**	**590.1**	**872.5**
Salary in cash 4)	-	345.6	613.7
Salary in shares 2)	-	39.8	-
Paid variable remuneration in cash (VIP and Phantom options)	-	33.4	33.4
Paid variable remuneration in shares (VIP and PSP)	-	171.3	225.4
Niek Hoek (chairman until 1 January 2015)	**-**	**-**	**1,179.3**
Salary in cash	-	-	800.0
Paid variable remuneration in cash (VIP and Phantom options)	-	-	45.2
Paid variable remuneration in shares (VIP and PSP)	-	-	334.1
Paul Medendorp (until 1 December 2014)	**-**	**-**	**839.3**

Executive Board members' salaries and incentives

In thousands of euros	2016	2015	2014
Salary in cash 3)	-	-	556.5
Paid variable remuneration in cash (VIP and Phantom options)	-	-	33.4
Paid variable remuneration in shares (VIP and PSP)	-	-	249.4
Total compensation paid	**4,746.4**	**3,574.8**	**4,117.7**

1 the difference of € 32,700 in base salary compared to 2015 is the result of a proportional payment of vacation allowance

2 the difference between the base salary in shares (€ 65,800) and the amounts presented in the table, is caused by the difference between the price of a Delta Lloyd share at the grant date € 4.72 (2015: € 15.48) and the payment date.

3 including € 13.4 holiday settlement in 2014

4 including € 21.2 work anniversary (12.5 years) in 2014

Pension expenses relating to members of the Executive Board

In thousands of euros	2016	2015	2014
Hans van der Noordaa, chairman (from 1 January 2015)	192.6	168.5	-
Clifford Abrahams (from 1 January 2016)	137.4	-	-
Ingrid de Graaf (from 22 May 2014)	113.3	106.7	44.7
Annemarie Mijer (from 21 May 2015)	110.8	60.5	-
Leon van Riet (from 1 March 2016)	103.8	-	-
Emiel Roozen (until 3 August 2015)	-	62.2	161.2
Onno Verstegen (until 1 June 2016)	50.4	119.6	161.2
Niek Hoek (chairman until 1 January 2015)	-	-	219.7
Paul Medendorp (until 1 December 2014)	-	-	147.7
Total	**708.3**	**517.5**	**734.5**

Former Executive Board members' salaries, incentives and pension expenses

In thousands of euros	2016	2015	2014
Niek Hoek (from 1 January 2015)	**42.3**	**1,654.4**	**-**
Transitional payment in cash (monthly until 30 June 2015)	-	427.5	-
Transitional payment in shares	-	46.1	-
Termination benefit	-	800.0	-
Paid variable remuneration in cash	-	45.2	-
Paid variable remuneration in shares	42.3	251.0	-
Pension expense	-	84.6	-
Emiel Roozen (from 3 August 2015)	**244.7**	**319.9**	**-**
Transitional payment in cash	168.5	246.9	-
Transitional payment in shares	19.9	28.5	-
Paid variable remuneration in shares	28.1	-	-
Pension expense	28.2	44.5	-
Paul Medendorp (from 1 December 2014)	**30.6**	**43.9**	**455.3**
Paid variable remuneration in cash	-	33.3	455.3
Paid variable remuneration in shares	30.6	-	-
Pension expense	-	10.6	-
Total	**317.6**	**2,018.2**	**455.3**

Conditional shares

The table below presents information about shares granted to each of the current and former Executive Board members under the Variable Incentive Plan but which they do not control. It presents information on conditional shares granted by year of remuneration, stating the number granted and the maximum number to be vested (this is the maximum number still attainable on 1 January 2017) as a result of achieving set targets or at the discretionary decision of the Supervisory Board. As a result of the rights issue in March 2016, the value of the unvested conditional shares decreased. This effect has been mitigated by applying an adjustment to the number of these unvested conditional shares on a cost neutral basis. The number of conditional grants for 2016 includes this adjustment, but for all previous years only the maximum vesting numbers were adjusted (2012 fourth tranche, 2013 third and fourth tranches, 2014 second, third and fourth tranches and 2015 all tranches).

The Supervisory Board used its discretionary power to adjust downwards to 0% the second, third and fourth tranches of the variable remuneration for 2012 and to lower the variable remuneration for 2013 by a percentage matching the value of the first tranche of variable remuneration awarded to Executive Board members for 2012. The Supervisory Board accepted the Remuneration Committee's recommendation that no variable remuneration be awarded for 2015, in view of the situation at Delta Lloyd.

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

Leon van Riet was appointed as an Executive Board member on 19 May 2016 by the General Meeting of Shareholders but started his activities as board member on 1 March 2016. Conditional shares granted until that date relate to his previous function.

As noted above, the performance of the individual members of the Executive Board in 2016 is based on whether they achieve the targets set at the start of the year. The Supervisory Board decided on 14 February 2016 to award 14% of the fixed annual salary as VIP to Hans van der Noordaa, 13% of the fixed annual salary as VIP to Clifford Abrahams, 12% of the fixed annual salary as VIP to Ingrid de Graaf, 15% of the fixed annual salary as VIP to Annemarie Mijer and 13% of the fixed annual salary as VIP to Leon van Riet, based on achieving set performance targets. The first tranche of 50% of the VIP 2016 will be paid in 2017.

The Supervisory Board is of the opinion that the year 2016 has been a difficult and challenging year. During this year Delta Lloyd's capital position improved substantially after the successful rights issue in March and the execution of the capital plan. Solvency II accretive measures were implemented in the business such as shifting to lower risk, less volatile products and adjusting the investment portfolio towards higher risk-adjusted returns. In addition, risk awareness and internal governance has been strengthened with the appointment of several key risk positions. The operational results were not that good, which partially is the result of the catch up under reservations.

The Supervisory Board decided on 14 February 2017 that the performance criteria were met and awarded 100% of the sign-on bonus to Clifford Abrahams. Half of both the equity and cash parts of the variable remuneration will be paid in February 2017 being 59,625 shares and € 207,000 in cash. In 2018, 2019 and 2020 Clifford Abrahams will annually receive 19,875 shares and € 69,000 in cash in accordance with the group variable remuneration scheme.

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

In number of shares	Conditional granted	Maximum vesting	until 2014	2015	2016	2017	2018	2019	2020
Hans van der Noordaa, chairman (from 1 January 2015)	**54,728**	**36,947**	**-**	**-**	**-**	**18,474**	**6,158**	**6,158**	**6,157**
VIP 2016	54,728	36,947				18,474	6,158	6,158	6,157
VIP 2015*	-	-			-	-	-	-	
Clifford Abrahams (from 1 January 2016)	**168,611**	**151,650**	**-**	**-**	**-**	**75,826**	**25,275**	**25,275**	**25,274**
VIP 2016	49,362	32,401				16,201	5,400	5,400	5,400
Sign-on bonus	119,249	119,249				59,625	19,875	19,875	19,874
Ingrid de Graaf (from 22 May 2014)	**51,289**	**42,337**	**-**	**7,620**	**5,085**	**15,891**	**-**	**-**	**-**
VIP 2016	37,924	23,471				11,736	-	-	-
VIP 2015*	-	-			-	-	-	-	
VIP 2014	13,365	10,446		4,430	2,004	2,006	-		
VIP 2013**	-	5,877	-	1,581	2,147	2,149			
VIP 2012**	-	1,624	-	690	934				
VIP 2011**	-	919	-	919					
Annemarie Mijer (from 21 May 2015)	**37,924**	**28,741**	**-**	**-**	**-**	**14,371**	**4,790**	**4,790**	**4,790**
VIP 2016	37,924	28,741				14,371	4,790	4,790	4,790
VIP 2015*	-	-			-	-	-	-	
Leon van Riet (from 1 March 2016)	**34,732**	**26,213**	**-**	**-**	**-**	**14,294**	**4,672**	**3,623**	**3,624**
VIP 2016	34,732	21,739				10,869	3,623	3,623	3,624
VIP 2015*		-			-	-	-	-	
VIP 2014 ****		2,097				1,048	1,049		
VIP 2013 ****		2,377				2,377			
Total number held by all members	**347,284**	**285,888**	**-**	**7,620**	**5,085**	**138,856**	**40,895**	**39,846**	**39,845**

* the Supervisory Board used its discretionary right to decide not to pay VIP 2015

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

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

**** grants made before Leon van Riet became a member of the Executive Board

Conditional shares of former Executive Board members and timing of payment (subject to performance conditions) *

In number of shares	Conditional granted	Maximum vesting	until 2014	2015	2016	2017	2018	2019	2020
Emiel Roozen (until 3 August 2015)	**90,843**	**57,412**	**30,775**	**10,790**	**6,773**	**6,772**	**2,302**		
VIP 2015*	-	-			-	-	-	-	
VIP 2014	18,060	11,996		5,088	2,303	2,303	2,302		
VIP 2013	25,972	22,102	9,872	3,291	4,470	4,469			
VIP 2012	23,040	4,981	4,981						
VIP 2011	17,347	14,467	12,056	2,411					
PSP 2010	6,424	3,866	3,866						
Niek Hoek (chairman until 1 January 2015)	**138,065**	**92,067**	**52,443**	**15,817**	**10,190**	**10,188**	**3,427**		
VIP 2015*	-	-			-	-	-	-	
VIP 2014	24,385	17,855		7,572	3,428	3,427	3,427		
VIP 2013	35,067	33,440	14,937	4,979	6,762	6,761			
VIP 2012	31,104	6,724	6,724						
VIP 2011	23,492	19,592	16,326	3,266					
PSP 2010	24,017	14,456	14,456						
Paul Medendorp (until 1 December2014)	**102,154**	**67,665**	**39,197**	**11,339**	**7,377**	**7,377**	**2,374**		
VIP 2014	18,060	12,366		5,244	2,374	2,374	2,374		
VIP 2013	25,972	24,744	11,053	3,684	5,003	5,003			
VIP 2012	23,040	5,413	5,413						
VIP 2011	17,347	14,467	12,056	2,411					
PSP 2010	17,735	10,675	10,675						
Onno Verstegen (until 1 June 2016)	**91,438**	**62,180**	**28,570**	**11,719**	**7,563**	**-**	**-**		
VIP 2015*	-	-			-	-	-	-	
VIP 2014	18,060	13,222		5,608	2,538				
VIP 2013	25,972	24,852	11,101	3,700	5,025				
VIP 2012	23,040	5,413	5,413		-				
VIP 2011	17,347	14,467	12,056	2,411					
PSP 2010	7,019	4,226							
Total number held by former members	**422,500**	**279,324**	**150,985**	**49,665**	**31,903**	**24,337**	**8,103**	**-**	**-**

* the Supervisory Board used its discretionary right to decide not to pay VIP 2015

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

Executive Board members' conditional share numbers and values

	Granted number of shares	Value of grants in €1,000**	Awarded number to vest	Value of vested paid in €1,000**	Value of vested unpaid in €1,000***	Total (expected) value vested in €1,000
Hans van der Noordaa, chairman (from 1 January 2015)	**54,728**	**190.0**	**36,947**	**-**	**196.4**	**196.4**
VIP 2016	54,728	190.0	36,947	-	196.4	196.4
VIP 2015*	-	-	-	-	-	-
Clifford Abrahams (from 1 January 2016)	**168,611**	**585.4**	**151,650**	**-**	**806.7**	**806.7**
VIP 2016	49,362	171.4	32,401	-	172.3	172.3
Sign-on bonus	119,249	414.0	119,249	-	634.4	634.4
Ingrid de Graaf (from 22 May 2014)	**51,289**	**350.9**	**42,337**	**142.3**	**84.5**	**226.8**
VIP 2016	37,924	131.7	23,471	-	62.4	62.4
VIP 2015*	-	-	-	-	-	-
VIP 2014	13,365	219.2	10,446	78.2	10.7	88.9
VIP 2013 ****	-	-	5,877	34.1	11.4	45.5
VIP 2012 ****	-	-	1,624	15.1	-	15.1
VIP 2011 ****	-	-	919	14.9	-	14.9
Annemarie Mijer (from 21 May 2015)	**37,924**	**131.7**	**28,741**	**-**	**152.8**	**152.8**
VIP 2016	37,924	131.7	28,741	-	152.8	152.8
VIP 2015*	-	-	-	-	-	-
Leon van Riet (from 1 March 2016)	**34,732**	**120.6**	**26,213**	**-**	**139.4**	**139.4**
VIP 2016	34,732	120.6	21,739	-	115.6	115.6
VIP 2015*	-	-	-	-	-	-
VIP 2014 *****			2,097		11.2	11.2
VIP 2013 *****			2,377		12.6	12.6
Total of all members	**347,284**	**1,378.6**	**285,888**	**142.3**	**1,379.8**	**1,522.1**

* the Supervisory Board used its discretionary right to decide not to pay VIP 2015

** based on the calculated share price at grant date

*** based on the share price of € 5.32 on 31 December 2016

**** all grants were made before Ingrid de Graaf and Leon van Riet joined the Executive Board. Therefore only the outstanding conditional grants at 31 December 2014 are included for Ingrid de Graaf and at 31 December 2016 for Leon van Riet

Former Executive Board members' conditional share numbers and values

	Granted number of shares	Value of grants in €1,000**	Awarded number to vest	Value of vested paid in €1,000**	Value of vested unpaid in €1,000***	Total (expected) value vested in €1,000
Emiel Roozen (until 3 August 2015)	**84,419**	**1,092.6**	**53,546**	**611.9**	**48.3**	**660.2**
VIP 2015*	-	-	-	-	-	-
VIP 2014	18,060	296.3	11,996	89.3	24.5	113.8
VIP 2013	25,972	296.3	22,102	253.0	23.8	276.8
VIP 2012	23,040	250.0	4,981	63.4	-	63.4
VIP 2011	17,347	250.0	14,467	206.2	-	206.2
Niek Hoek (chairman until 1 January 2015)	**114,048**	**1,475.0**	**77,611**	**870.2**	**72.3**	**942.5**
VIP 2015*	-	-	-	-	-	-
VIP 2014	24,385	400.0	17,855	132.9	36.4	169.3
VIP 2013	35,067	400.0	33,440	382.8	35.9	418.7
VIP 2012	31,104	337.5	6,724	78.1	-	78.1
VIP 2011	23,492	337.5	19,592	276.4	-	276.4
Paul Medendorp (until 1 December 2014)	**84,419**	**1,092.5**	**56,990**	**652.8**	**51.9**	**704.7**
VIP 2014	18,060	296.3	12,366	92.0	25.3	117.3
VIP 2013	25,972	296.3	24,744	283.3	26.6	309.9
VIP 2012	23,040	250.0	5,413	68.9	-	68.9
VIP 2011	17,347	250.0	14,467	208.6	-	208.6
Onno Verstegen (until 1 June 2016)	**84,419**	**1,092.5**	**57,954**	**658.1**	**-**	**658.1**
VIP 2015*	-	-	-	-	-	-
VIP 2014	18,060	296.3	13,222	98.4	-	98.4
VIP 2013	25,972	296.3	24,852	284.5	-	284.5
VIP 2012	23,040	250.0	5,413	68.9	-	68.9
VIP 2011	17,347	250.0	14,467	206.3	-	206.3
Total of former members	**367,305**	**4,753**	**246,101**	**2,793**	**172.5**	**2,965.5**

* the Supervisory Board used its discretionary right to decide not to pay VIP 2015

** based on the calculated share price at grant date

*** based on the share price of € 5.32 on 31 December 2016

The next tables present the conditional cash grant to each of the current and former members of the Executive Board under the Variable Incentive Plan. Cash was only granted in the incentive plans until 2013, since then the entire grant is paid in shares. In 2016 the last cash payment under the VIP 2012 was made. At 31 December 2016 only Clifford Abrahams is entitled to a conditional grant in cash being 50% of the sign-on bonus.

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

in thousands of euros	Granted	Maximum vesting	until 2014	2015	2016	2017	2018	2019	2020
Clifford Abrahams	**414.0**	**414.0**				**207.0**	**69.0**	**69.0**	**69.0**
Sign-on bonus	414.0	414.0				207.0	69.0	69.0	69.0
Ingrid de Graaf (from 22 May 2014)		**27.7**		**20.2**	**7.5**				
VIP 2012		15.0		7.5	7.5				
VIP 2011		12.7		12.7					
Onno Verstegen	**490.0**	**278.5**	**225.6**	**33.3**					
VIP 2012	250.0	78.3	58.7						
VIP 2011	240.0	200.2	166.9	33.3					
Total of all members	**904.0**	**720.2**	**225.6**	**53.5**	**7.5**	**207.0**	**69.0**	**69.0**	**69.0**

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

in thousands of euros	Granted	Maximum vesting	2012	2013	2014	2015	2016
Emiel Roozen (until 3 August 2015)	**490.0**	**254.2**	**100.1**	**87.4**	**33.4**	**33.3**	**-**
VIP 2012	250.0	54.0		54.0	-	-	-
VIP 2011	240.0	200.2	100.1	33.4	33.4	33.3	
Niek Hoek (chairman until 1 January 2015)	**662.5**	**344.0**	**135.5**	**118.2**	**45.2**	**45.1**	**-**
VIP 2012	337.5	73.0		73.0	-	-	-
VIP 2011	325.0	271.0	135.5	45.2	45.2	45.1	
Paul Medendorp (member until 1 December 2014)	**490.0**	**258.9**	**100.1**	**92.1**	**33.4**	**33.3**	**-**
VIP 2012	250.0	58.7		58.7	-	-	-
VIP 2011	240.0	200.2	100.1	33.4	33.4	33.3	
Total of former members	**1,642.5**	**857.1**	**335.7**	**297.7**	**112.0**	**111.7**	**-**

Phantom options

The (remaining) number of phantom options granted for 2009 at 31 December 2015 for Onno Verstegen (32,995), Emiel Roozen (25,735) and Niek Hoek (131,254) expired in 2016 without value despite a decrease in the exercise price from € 13.63 to € 10.04 to compensate for the decrease in value after the rights issue.

The conditional grants recognised in the financial statements differ from the amounts presented in the tables above because the liability in the financial statements is calculated on the basis of share-based payments (IFRS 2), it involves deferred employee benefits (see section 'Employee information' for the methods and parameters used) and is calculated before the Supervisory Board decides on the target achievements of the Executive Board members over the current year and ex-post adjustments for previous years. The liability for VIP equity settled is part of the reported amount in equity line item Equity compensation plan (see section 'Consolidated statement of changes in equity') and for the cash settled plans in the provision line item Employee equity compensation plan (see section 'Provisions for other liabilities'). In 2016 the whole liability regards VIP equity settled except for Clifford Abrahams whose liability also includes the sign-on bonus of € 828.0. In 2015 the liability of € 1,641.2 consisted of VIP equity settled € 1,501.9, VIP cash settled € 129.8 and phantom options € 9.5.

Financial statement liability at year-end

In thousands of euros	2016	2015
Hans van der Noordaa, chairman (from 1 January 2015)	145.1	129.2
Clifford Abrahams (from 1 January 2016)	958.8	-
Ingrid de Graaf (from 22 May 2014)	153.8	180.5
Annemarie Mijer (from 21 May 2015)	100.5	59.7
Leon van Riet (from 1 March 2016)	136.5	-
Emiel Roozen (until 3 August 2015)	96.1	345.6
Onno Verstegen (until 1 February 2016)	-	290.5
Niek Hoek (chairman until 1 January 2015)	144.0	407.0
Paul Medendorp (until 1 December 2014)	102.5	228.7
Total	**1,837.3**	**1,641.2**

Delta Lloyd shares held by the Executive Board

The members of the Executive Board are permitted to hold Delta Lloyd shares as a long-term investment. The table below presents information on the total number of shares owned by each of the current and former members of the Executive Board, the shares they do not yet fully control (lock-up) and the number and value of shares released from lock-up. All shares received by the Executive Board members as part of the Variable Incentive Plan from 2012 and onwards are still in lock-up.

Shares owned by current and former Executive Board members

In number of shares	Locked shares at 1 January 2016	Unlocked during 2016	Locked during 2016	Locked shares at 31 December 2016	Total unlocked shares at 31 December 2016	Total shares at 31 December 2016	Total shares at 31 December 2015
Hans van der Noordaa, chairman (from 1 January 2015)	-	-	-	-	60,429	60,429	-
Clifford Abrahams (from 1 January 2016)	-	-	-	-	53,178	53,178	-
Ingrid de Graaf	9,342	3,196	18,654	24,800	21,298	46,098	16,186
Annemarie Mijer (from 21 May 2015)	1,375	-	11,313	12,688	23,553	36,241	1,375
Leon van Riet (from 1 March 2016)	-	-	-	16,453	33,983	50,436	-
Emiel Roozen (until 3 August 2015)	27,949	3,735	5,904	30,118	819	30,937	34,105
Onno Verstegen (until 1 February 2016)	29,306	3,735	29,389	54,960	1,494	56,454	35,858
Niek Hoek (until 1 January 2015)	42,936	6,766	41,314	77,484	-	77,484	52,280
Paul Medendorp (until 1 December 2014)	25,659	2,537	3,723	26,845	-	26,845	33,342
Total	**136,567**	**19,969**	**110,297**	**243,348**	**194,754**	**438,102**	**173,146**

Loans Executive Board

Subject to the conditions applicable to all employees and clients, on 31 December 2016, there were outstanding mortgage loans payable by two members and two former members of the Executive Board:

Loans and advances to current and former Executive Board members

In thousands of euros	Outstanding at 31 December 2016	Average interest rate	Redemption in 2016	Outstanding at 31 December 2015	Average interest rate	Redemption in 2015
Ingrid de Graaf	506.0	4.1%	-	506.0	4.1%	-
Leon van Riet (from 1 March 2016)	666.5	1.8%	66.7	-	-	-
Niek Hoek (chairman until 1 January 2015)	797.8	2.4%	-	797.8	2.4%	-
Emiel Roozen (until 3 August 2015)	250.0	2.2%	273.4	523.4	2.2%	250.0

Remuneration of the Supervisory Board

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

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

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

Remuneration of the Supervisory Board

Function	Remuneration in thousands of euros
Chairman	75.0
Vice-chairman	60.0
Member	50.0
Committees	
Chairman of the Audit and/or Risk Committee	9.0
Member of the Audit and/or Risk Committee	6.0
Chairman of the Remuneration and/or Nomination Committee	9.0
Member of the Remuneration and/or Nomination Committee	5.0

In 2016, the members of the Supervisory Board received the following remuneration.

Remuneration of the Supervisory Board current year

In thousands of euros	Remuneration	Committee fees	Total
Rob Ruijter, chairman	75.0	22.0	97.0
Eric Fischer, vice-chairman	60.0	18.4	78.4
André Bergen	50.0	15.4	65.4
Jan Haars	50.0	15.1	65.1
Fieke van der Lecq	50.0	12.0	62.0
John Lister (from 19 May 2016)	30.8	9.2	40.0
Paul Nijhof (from 19 May 2016)	30.8	9.8	40.6
Clara Streit	50.0	15.4	65.4
Total	**396.6**	**117.3**	**513.9**

Remuneration of the Supervisory Board prior year

In thousands of euros	Remuneration	Committee fees	Total
Rob Ruijter, chairman (from 1 October 2015)	56.3	21.2	77.5
Eric Fischer, vice-chairman	60.0	13.3	73.3
André Bergen	50.0	20.0	70.0
Jean Frijns, chairman (until 1 October 2015)	56.3	8.2	64.5
Jan Haars	50.0	14.0	64.0
Fieke van der Lecq	50.0	12.0	62.0
Clara Streit	50.0	14.0	64.0
Total	**372.6**	**102.7**	**475.3**

Transactions with Board members and related parties

In accordance with the best practice provision II.3.4. (iii) and III.6.3. (iii) of the Dutch Corporate Governance Code the executive board members and supervisory board members did not enter into transactions in which there were conflicts of interest with executive board members and supervisory board members that were of material significance to the company (see section 'Related party transactions'). In accordance with the best practice provision III.6.4 of the Dutch Corporate Governance Code the related party transactions are conducted on an arm's length basis. Therefore, the aforementioned best practice provisions have been observed and complied with.

Outlook for the remuneration policy

As of 1 January 2017 the pension scheme will change for all employees of Delta Lloyd, including the Executive Board. From that date, the Executive Board members will have the same pension plan as other employees, with the exception of the occupational disability pension.

The pension plan is a collective defined contribution plan (CDC) with a maximum pensionable income of € 103,317 (2017). The maximum insurable occupational disability pension is € 265,552 per year. The chairman of the Executive Board has higher cover at € 577,262 compared to € 336,889 for the other Board members.

On 23 December 2016, NN Group and Delta Lloyd jointly announced that they reached agreement on an recommended cash offer from NN Group for all of the issued and outstanding ordinary shares of Delta Lloyd. On 2 February 2017, NN Group Bidco B.V. (the Offeror), a wholly-owned direct subsidiary of NN Group, launched the offer on the terms and restrictions as set forth in the offer memorandum dated 2 February 2017. The following has been agreed regarding the remuneration of the Executive Board members:

- Until settlement of the Offer the existing remuneration arrangements continue to be effective and therefore there will be no changes in the remuneration of the Executive Board members;
- Mr van der Noordaa will, subject to the Offer having been declared unconditional and effective as per the settlement date, resign as member of the Executive Board. In connection with his resignation Mr Van der Noordaa will receive a severance payment of EUR 950,000, which amount is, in line with the Dutch Corporate Governance Code, no more than one year's salary;
- As of the settlement date Mr Abrahams, Ms Mijer and Mr van Riet shall continue to serve on the Executive Board. They will remain in office for as long as appropriate. If, as a result of integration or otherwise, their roles will cease to exist or become redundant, the Offeror will use its reasonable best efforts to find suitable alternative senior roles within the combined group. Should the Offeror not be able to find such role or should the relevant members of the Executive Board not be interested in such a continuation of his or her career, the Offeror will respect the agreed notice period as well as the existing severance arrangement;

Entitlements of members of the Executive Board to Conditional Performance Shares are expected to be settled as follows:

- all Conditional Performance Shares held by members of the Executive Board, whether vested or unvested, outstanding under the respective Incentive Plans immediately prior to Settlement shall, pursuant to the applicable Incentive Plan, in full and final satisfaction of such Conditional Performance Shares, be cancelled and settled in cash by (partly deferred and/or prorated) payment of an amount equal to the Fair Market Value (as defined in the Incentive Plans) of a Conditional Performance Share on the last day before the Settlement Date."
- The statutory claw-back regulations ('afroomregeling') will be applied to the ordinary shares in the capital of Delta Lloyd granted to the members of the Executive Board as remuneration.

No additional bonus entitlement or similar will be paid to the members of the Executive Board in relation to a successful closure of the intended acquisition by NN Group.

Corporate governance

Delta Lloyd is a public company based and registered in the Netherlands. It is subject to the Dutch Corporate Governance Code and the Banking Code. Further to its articles of association of 23 March 2016, Delta Lloyd is a company with a mandatory two-tier board structure. This comprises the Executive Board and Supervisory Board. A third governing body is the General Meeting of Shareholders (the General Meeting).

This chapter provides information on these governing bodies and their powers and duties. In addition, it describes the way Delta Lloyd applies the relevant codes of conduct. More details can be found on our website.

Executive Board

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

Appointment and dismissal of Executive Board members

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

Issuance of shares

On 19 May 2016, the General Meeting resolved to designate the Executive Board as the competent body to issue ordinary shares and to grant rights to subscribe to ordinary shares for a period of 18 months, from 19 May 2016 to 19 November 2017, subject to approval by the Supervisory Board. In its resolution, the General Meeting restricted the competency of the Executive Board as regards the issue of ordinary shares to a maximum of 10% of the issued share capital at 19 May 2016, plus a further issue up to 10% of the issued share capital at 19 May 2016 if it occurs in the context of (the financing of) a merger, acquisition or joint venture by Delta Lloyd or one of its subsidiaries. This limitation does not apply to the power of the Executive Board to pay out an interim dividend in the form of ordinary shares as defined in Article 44.10 of the articles of association. After this 18-month period, the Executive Board may propose that the General Meeting extend its designation as the competent body to issue shares.

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

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

Pre-emptive rights
On 19 May 2016, the General Meeting designated the Executive Board as the competent body to limit the pre-emptive rights of holders of ordinary shares. This designation was given for a period of 18 months, from 19 May 2016 to 19 November 2017. In its resolution, the General Meeting restricted the competency of the Executive Board as regards the limitation of pre-emptive rights of holders of ordinary shares to the authorisation it gave to the Executive Board to issue ordinary shares.

If the General Meeting has not designated the Executive Board as the competent body to limit the pre-emptive rights of holders of ordinary shares, the General Meeting may resolve to limit or exclude the pre-emptive rights at the proposal of the Executive Board, subject to approval by the Supervisory Board. A resolution of the General Meeting to limit or exclude pre-emptive rights requires an absolute majority if at least half of the issued share capital is present or represented at the General Meeting at which such a resolution is put to vote (failing which the resolution requires a two-thirds majority).

Repurchase of treasury shares
On 19 May 2016, the General Meeting resolved to designate the Executive Board as the competent body to acquire ordinary shares or depositary receipts through a purchase on a stock exchange or otherwise for a term of 18 months ending on 19 November 2017. The designation relates to 10% of the issued capital, for which purpose the acquisition price must be between the nominal value of an ordinary share and the quoted price of an ordinary share, plus 10%. The quoted price is defined as the average closing price of an ordinary share as reported in the official price list of Euronext Amsterdam over the five trading days prior to the acquisition date.

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

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

Supervisory Board
The Supervisory Board advises and supervises the Executive Board in the execution of its duties and monitors the policies and affairs of Delta Lloyd. Its members must serve the interests of Delta Lloyd, its customers and other stakeholders and are collectively responsible for carrying out the Supervisory Board's duties. Further information about the Supervisory Board and its members is set out in section 'Executive Board and Supervisory Board' and in section 'Report of the Supervisory Board'.

Committees
To help it in its decision-making, the Supervisory Board has four committees that focus on specific areas. These are:

- Audit Committee;
- Risk Committee;
- Remuneration Committee; and
- Nomination Committee.

The task of these committees is to prepare the Supervisory Board for the decision it takes. Further information about the Supervisory Board committees is set out in the Supervisory Board report.

Appointment, dismissal and suspension of Supervisory Board members
Members of the Supervisory Board are nominated by the Supervisory Board and appointed by the General Meeting. Only individuals (not legal entities) may be members of the Supervisory Board.To be eligible for appointment to the Supervisory Board, nominees must satisfy the profile as set out in its by-laws. The profile contains guidelines on the composition and size of the Supervisory Board to ensure it represents the interests of all stakeholders as far as possible. Each nomination is supported by arguments. The General Meeting and the Works Council can recommend nominees for the Supervisory Board. In addition, the Works Council is entitled to include its motivation for a nominee in the notice convening the General Meeting where the nomination is to be decided, and can address the meeting to set out its reasons.

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

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

Only the Enterprise Chamber of the Amsterdam Court (*Ondernemingskamer*- 'Enterprise Chamber') can dismiss a member of the Supervisory Board on grounds of neglect of duties, other important reasons or a fundamental change of circumstances that results in Delta Lloyd no longer being reasonably required to maintain the person as a member of the Supervisory Board. The request can be submitted to the Enterprise Chamber by Delta Lloyd, represented by the Supervisory Board, or by a representative designated for this purpose by the General Meeting or the Works Council.

In addition, the General Meeting can withdraw its confidence in the entire Supervisory Board with an absolute majority of votes cast, representing at least one-third of the issued capital. If the General Meeting passes such a resolution without a majority, a second meeting can be convened. At that meeting, confidence in the Supervisory Board can be withdrawn, again only with an absolute majority of votes cast, representing at least one-third of the issued capital. The resolution must be supported by arguments.

If the resolution is approved, it results in the immediate dismissal of the Supervisory Board. In this case, the Executive Board will request that the Enterprise Chamber immediately temporarily appoints one or more Supervisory Board member(s). The resolution cannot be passed in respect of Supervisory Board members appointed by the Enterprise Chamber. The Supervisory Board member(s) appointed by the Enterprise Chamber take(s) action to the effect that, within the term stated by the Enterprise Chamber, a new Supervisory Board is composed in accordance with the provisions of Delta Lloyd's articles of association.

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

Remuneration
The General Meeting determines the remuneration of each Supervisory Board member.

Capital and shares

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

Major shareholders at 31 December 2016	
(more than 3% of ordinary shares)	
Fubon Asset Management Company Ltd.	6.77%
Norges Bank Investment Management (NBIM)	6.51%
Highfields Capital Management, L.P.	5.35%
Fir Tree Partners	3.35%
Standard Life Investments Ltd.	3.29%
Majedie Asset Management Limited	3.28%

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

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

For further details about dividend payments on preference shares A and protective preference shares B (if issued), refer to Article 44 of the articles of association of Delta Lloyd NV. The dividend policy will be set out in section Dividend policy.

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

Amendments to the articles of association, legal merger or demerger
A resolution to amend the articles of association may only be taken by the General Meeting by an absolute majority pursuant to a proposal of the Executive Board that has been approved by the Supervisory Board.

A resolution to merge or to demerge requires an absolute majority if at least half of the issued share capital is present or represented at the General Meeting at which such a resolution is put to vote (failing which the resolution requires a two-thirds majority).

General Meeting of Shareholders

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

Notice, agenda items

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

Admission to the General Meeting

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

Resolutions

Unless Dutch law or the articles of association require a larger majority, resolutions of the General Meeting are passed by an absolute majority of votes cast. Certain resolutions, such as those to reduce Delta Lloyd's share capital or to limit or exclude the pre-emptive rights, require a qualified majority of two-thirds of the votes cast, if less than half of the issued share capital is present or represented at the General Meeting at which such a resolution is put to vote.

Powers of the General Meeting

The most important powers of the General Meeting are to:

- Appoint members to the Supervisory Board following nomination by the Supervisory Board;
- Recommend persons to the Supervisory Board for nomination as a member of that board;
- Approve the remuneration of Supervisory Board members;
- Withdraw confidence in the Supervisory Board;
- Discharge the Executive Board and the Supervisory Board in respect of their respective management and supervision duties;
- Adopt the financial statements;
- Approve Executive Board resolutions regarding important changes in the identity or nature of Delta Lloyd;

- Authorise the Executive Board to issue shares, to grant rights to subscribe for shares and to restrict or exclude the pre-emptive rights of shareholders;
- Authorise the Executive Board to repurchase shares;
- Adopt the remuneration policy for the Executive Board;
- Dispose of the profit remaining after the payment of dividend on any outstanding protective preference shares B and preference shares A and after a decision has been taken on the addition of all or part of the profits to the reserves; and
- Pass resolutions to amend the articles of association and to merge, demerge or dissolve the company if proposed by the Executive Board and approved by the Supervisory Board.

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

Delta Lloyd and Fonds NutsOhra entered into a sale and purchase agreement on 16 October 2009 to restructure the Preference Shares A held by Fonds NutsOhra. The Preference Shares A are convertible into ordinary shares. The conditions of conversion were determined upon the first issuance of the Preference Shares A and are set out in a convertible loan agreement dated 22 December 1999 between Fonds NutsOhra and Delta Lloyd, as amended on 16 October 2009. On 6 November 2015, certain terms of the convertible loan agreement were restructured to ensure grandfathering of the convertible loan under Solvency II for a period of three years. DNB has expressly consented to this amendment.

Notwithstanding the aforementioned amendment, Fonds NutsOhra is entitled to fully convert its preference shares A into newly-issued ordinary shares at all times if any of the following events occur:
- A public bid is made for Delta Lloyd;
- A legal merger or legal demerger involving Delta Lloyd;
- Delta Lloyd sells the majority of its assets; or
- A resolution by the Executive Board on a significant change to Delta Lloyd, which requires approval of the General Meeting pursuant to Section 2:107a of the Dutch Civil Code.

The conversion price for the preference shares A amounts to € 22.67 per ordinary share received upon conversion, minus € 0.20 (the nominal value of the preference share A). In specific circumstances as defined in the agreement, Fonds NutsOhra will be compensated for the dilutive effect of certain Delta Lloyd actions through an adjustment of the conversion price. Conversion of the preference shares A into newly-issued ordinary shares will result in a dilution of the issued ordinary shares at that time.

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

Compliance with the Dutch Corporate Governance Code and Banking Code

Dutch Corporate Governance Code

Delta Lloyd is subject to the Dutch Corporate Governance Code of December 2008 which entered into force on 1 January 2009 (the 'Code'). The full text of the Code can be found on here. Delta Lloyd applies the principles and the best practice provisions of the Code in full.
On 8 December 2016, the Monitoring Committee Corporate Governance Code has published a revised corporate governance code (the 'Revised Code'). Dutch listed companies are expected to report on the compliance of the revised code in the full year reports of 2017, provided that the Revised Code is entered into force in 2017.

Banking Code

The Dutch Bankers' Association (Nederlandse Vereniging van Banken - NVB) drew up a self-regulation code of conduct, the Banking Code, which applies to all Delta Lloyd's banking activities.

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

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

Lifelong learning

Knowledge is core to our business, and this requires high levels of professionalism within our organisation. We believe it is hugely important that knowledge is kept up-to-date. In 2016, the lifelong learning programme for Executive Board members, directors and Supervisory Board members addressed a variety of topics, including Solvency II, Finance, Capital & Reporting, Governance & Regulation and IT.

Moral and ethical conduct declaration

Since 2013, it is a legal duty for all members of executive boards, supervisory boards and policymakers of financial institutions to sign a moral and ethical conduct declaration. Clifford Abrahams and Leon van Riet, who were appointed to the Executive Board in 2016, affirmed their moral and ethical declaration on the date of their (respective) appointments to the Executive Board. John Lister and Paul Nijhof, who joined the Supervisory Board in 2016, affirmed their moral and ethical declaration on 19 May 2016.

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

Customer centricity

Customer centricity is one of our three strategic pillars: we want to excel in fulfilling customer needs by enhancing our understanding of customer's interests and providing an excellent customer experience. In 2015, we transformed the customer centricity programme into a staff department that falls directly under the Executive Board. In 2016, we further developed our "Closer to the Customer" strategy. This ensured further improvement of customer satisfaction and loyalty at the very core of our business. Our performance in 2016 on putting customers' interests central in products, services and advice and how we implement that is outlined in section 'Delta Lloyd in 2016'.

Remuneration policy
Delta Lloyd applies a controlled, sound and sustainable remuneration policy. This helps us recruit, retain and motivate employees and to stimulate excellent results. This policy is in line with our risk appetite and supports and strengthens our strategy and core values.

Each job grade has a set maximum fixed-variable remuneration ratio. In accordance with our rules regarding the remuneration policies of financial undertakings, the variable remuneration for members of the Executive Board is maximised at 20% of fixed remuneration. The purpose of the variable remuneration is to stimulate an employee to achieve desired results. More information about Delta Lloyd's remuneration policy is published in the Remuneration Disclosures 2016 on our website and in section 'Remuneration report'.

Protective measures

The object of Stichting Continuïteit Delta Lloyd, a foundation established according to Dutch law, is to protect Delta Lloyd from influences that could jeopardise its continuity, independence or identity. The board of Stichting Continuïteit Delta Lloyd had several meetings in 2016. At these meetings, the chairman of Delta Lloyd's Executive Board and on a regular basis also the chair man of the Supervisory Board, together with other Delta Lloyd's representatives gave an account of the company's general affairs, financial reporting and relationship with its shareholders. Attention was also given to the rights issue in March 2016. Besides these meetings, there were a large number of conference calls at which Delta Lloyd's representatives (each time, including the chairman of Delta Lloyd's Executive Board) participated to inform the board of Stichting Continuïteit Delta Lloyd on the developments resulting from the (unsolicited) public offer by NN Group.

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

Stichting Continuïteit can exercise this call option to:

- Prevent, delay or complicate an unwanted takeover bid or unwanted acquisition of shares through stock market transactions or otherwise;
- Prevent a concentration of the voting rights at the General Meeting;
- Resist unwanted influence on or pressure by shareholders to amend the strategy of Delta Lloyd; and

- Give Delta Lloyd, in any of these situations, the opportunity to consider and explore possible alternatives and, if required, to work these out in the event of an actual or threatened concentration of control among its shareholder base. Such actual or threatened concentration is considered unwanted and not in the interest of Delta Lloyd and its affiliates, according to the judgement/provisional judgement of the Executive Board or the Supervisory Board and the Board of Stichting Continuïteit Delta Lloyd, and exercising the call option enables Delta Lloyd to temporarily neutralise such concentration of control.

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

The board of Stichting Continuïteit Delta Lloyd comprises the following members:

Dick Bouma, chairman
Aart van Bochove, vice-chairman
Rinze Veenenga Kingma

All board members of Stichting Continuïteit Delta Lloyd are independent from Delta Lloyd. Stichting Continuïteit meets the independence requirement of Section 5:71 (1)(c) of the Wft.

Corporate governance statement

This chapter – together with the report of the Supervisory Board, the description of the internal risk management and control systems and the contents of Delta Lloyd's corporate website – constitutes the corporate governance statement within the meaning of the Royal Decree of 20 March 2009 on the annual reporting of listed companies. The corporate governance section on the website contains our articles of association, various by-laws, the agreement between Delta Lloyd and Fonds NutsOhra and an extensive description of the application of the codes of conduct by Delta Lloyd. The composition of the Supervisory Board and the Executive Board is also set out on the website, including CVs of the members, the by-laws and the rotation plans of both boards.This chapter is therefore to be read in conjunction with all the aforementioned information on our website which is incorporated herein by reference.

EU directive on takeover bids

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

The control mechanism for schemes that grant rights to employees to take or acquire shares in the capital of Delta Lloyd if the control is not exercised directly by the employees themselves, is described in section Remuneration report for 2016.

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

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

In control statement

The Executive Board is responsible for designing and maintaining an adequate system for internal control over financial reporting (IFRS). Financial reporting is the product of a structured process carried out by our various divisions under the direction and supervision of Delta Lloyd's Financial Accounting & Reporting department. Group Risk SOx team tested the controls in this process and reported its findings. We monitor changes in the reporting rules and discuss them timely with our external auditor.

In 2016, our business units evaluated the design and effectiveness of the relevant risk management and control systems for financial reporting and classified the outcomes by priority. These outcomes were reviewed at Group level. There are no indications that the risk management and control systems for financial reporting will not operate effectively in the current year. Group Risk and Financial Accounting & Reporting have discussed the complete range of activities performed in connection with our internal risk management and internal control systems, and the resulting findings, recommendations and measures with the Audit Committee and the Supervisory Board.

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

Executive Board
Hans van der Noordaa, chairman
Clifford Abrahams
Annemarie Mijer
Leon van Riet

Management statement under Financial Supervision Act

With reference to Section 5.25 (c) (2c) of the Financial Supervision Act ('Wet op het financieel toezicht'), the Executive Board states that to the best of its knowledge:

- The financial statements for 2016 give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and its consolidated enterprises;
- The annual report gives a true and fair view of the position as at 31 December 2016 and developments during the year ended 31 December 2016 relating to the company and its consolidated enterprises for which data are included in the financial statements, as well as a description of material risks to which the company is exposed.

The Executive Board

Hans van der Noordaa, chairman
Clifford Abrahams
Annemarie Mijer
Leon van Riet

Reporting principles – About this report

This integrated report was published on 22 March 2017. It gives a detailed, integrated view of Delta Lloyd's financial and non-financial performance in 2016, as well as in-depth information about the 'Closer to the customer' strategy and how we are putting it into action to make a sustainable difference to society. This report has been prepared using the reporting guidelines issued by the International Integrated Reporting Council (IIRC).

The integrated report is available on www.deltalloyd.com. It can be downloaded in PDF-format or viewed online as a single, integrated document. The report provides our customers, investors, employees and society as a whole with a comprehensive overview of Delta Lloyd during 2016 and our vision for the future.

The report is published in English. A Dutch summary of the report is available from 10 April 2017. More information about Delta Lloyd, its brands, Executive Board, management and the addresses of its office locations can be found on www.deltalloyd.com.

Reporting process

This integrated report describes the activities of Delta Lloyd. This includes entities over which Delta Lloyd has management control (see section List of major Group companies at year-end). Excluded from the reporting process are suppliers, subcontractors and other entities on which our operations would typically only have an indirect impact. Regarding the non-financial data, we adhere the following consolidation principles. New acquisitions are included as of the first full year of ownership and divestments that may occur during the reporting year are excluded for the full year. The integrated report of Delta Lloyd was compiled in accordance with the Sustainability Reporting Guidelines G4 (option Core) of the Global Reporting Initiative (see section GRI-table). This integrated report is assured by EY (see section Combined independent auditor's report) to increase the reliability of our financial and non-financial performance.

The quantitative figures for the report are collected annually from the relevant divisions at Delta Lloyd and collated by Financial accounting and reporting. The qualitative information is obtained from interviews with the officers responsible for each subject at year-end. The financial accounting & reporting team is responsible for collecting and validating the reported data. Additionally, the data is verified by the external auditor (EY).
Data is validated by performing trend analyses, among others. No uncertainties and inherent limitations have been found in the data as a consequence of their measurement, estimation and calculation. Data is not estimated, unless otherwise stated. Any changes to definitions or measuring methods are explained with the reported data, if applicable.

In this report we have summarised information about the matters that are most material to Delta Lloyd and our stakeholders. We have also reported on two topics that we deem to be very important in terms of their impact on Delta Lloyd (financial performance and climate change). We aim to improve the data availability and reporting of our material topics in the coming years.

Contact information

Please contact us if you have comments or recommendations concerning our strategy, performance and reporting:

Corporate Communications & Investor Relations
P.O. Box 1000
1000 BA Amsterdam
The Netherlands
+31 20 594 96 93
ir@deltalloyd.nl

Definitions

Net Promoter Score

The Net Promoter Score (NPS) measures how likely customers are to recommend our company to others. This is a gauge of customer satisfaction and brand loyalty. Each month we ask a sample group of customers to fill in a questionnaire. The percentage of customers that would not recommend Delta Lloyd (detractors, with a score from 1-6) is subtracted from those that would (promoters, scoring 9-10) to calculate the NPS. The questionnaire provides insight into what drives detractors and promoters and what we should improve to increase customer satisfaction. The surveys are conducted by independent agency GfK.

KKV quality hallmark

The KKV (Keurmerk Klantgericht Verzekeren) is the Dutch quality hallmark for customer-focused insurance. It guarantees the quality of insurance products and customer service. The KKV is awarded annually by the Stichting Toetsing Verzekeraars (Foundation for Testing Insurers), based on whether insurers provide clear and honest information about their products and develop new products with their customers in mind. Each label – Delta Lloyd, OHRA and ABN AMRO Insurance – is individually assessed. With the quality hallmark customers are assured of a high standard of service and products that are easy to understand and suited to their needs.

AFM Customer Centricity Dashboard

The Dutch Financial Markets Authority (AFM) uses its Customer Interest Dashboard to measure how banks and insurers put their customers first. It is based on nine different aspects including savings products, complaints management, claims handling and investment insurance. Delta Lloyd was assessed on five of these in 2016. For savings we carried out a self-assessment that was checked by the AFM. Complaints management was assessed in collaboration with the KKV quality hallmark. For the other modules, we filled out a questionnaire that we substantiated with evidence and an interview. Each dashboard score is added together to calculate the overall average.

Sustainable investments

Total sustainable investments is measured by the sum of our investments in the ESG Fund, green bonds and sustainable bonds. We also include the funds we manage for Triodos. We express this as a percentage of our total assets under management.

Number of households supported by renewable energy

This figure is based on an external database of offshore wind farms. This database shows the average output per park in megawatt which is translated to the equivalent energy households consume annually. The database is continuously updated. Based on the percentage of the park that Delta Lloyd insures a distribution is made towards output in megawatt.

Employee engagement

For the past four years we have carried out an annual Sustainable Engagement Survey among our employees. The first three were conducted by research firm Willis Towers Watson and the 2016 edition by Effectory. Each took place in the fourth quarter. The same eight questions are asked each time to determine employees' sustainable involvement. In 2016, about 79% of employees participated. They were also asked about their jobs, their roles, work pressure, the work environment, their teams, managers, the organisation and their future. The survey will not be carried out in 2017 as it will be done every second year going forward.

Women in management

The number of women in management positions is measured as a proportion of the total number of management positions. These are defined as managers or directors. Certain functions also include programme managers. The measurement is taken at the end of each year.

DJSI ranking

Every year, Delta Lloyd carries out the self-assessment of the Dow Jones Sustainability Index. This covers economic, environmental and social performance, which must be substantiated with evidence. Companies are rated on a scale of 1-100 and their performance is compared to their sector peers (in our case, insurers). The best-in-class are included in the DJSI.

CO_2 carbon footprint

To measure our carbon footprint we use the key indicators set out on CO_2 emissiefactoren.nl, a coalition of Dutch government and environmental organisations. This provides companies with a uniform way to measure their CO_2 emissions and compare their performance with others. Not all components have indicators available yet, for example paper. Instead an environmental barometer is used.

Financial statements 2016

Consolidated financial statements

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

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

These financial statements have been authorised for issue by the Executive Board, following the approval of the Supervisory Board on 22 March 2017. The General Meeting of Shareholders will be asked to adopt these financial statements at the Annual Meeting on 7 June 2017.

Consolidated statement of financial position

Consolidated statement of financial position

In millions of euros		31 December 2016	31 December 2015
Goodwill	9	269.2	269.2
AVIF and other intangible assets	10	74.9	90.9
Deferred acquisition costs	11	103.1	109.9
Property and equipment	12	53.1	55.1
Investment property	13	1,173.6	1,052.2
Associates and joint ventures	14	36.1	278.9
Deferred tax assets	31	457.1	478.4
Debt securities	15	29,535.2	28,342.1
Equity securities	15	1,123.9	2,169.3
Derivatives	16	2,182.3	1,675.9
Loans at fair value through profit or loss	17	5,758.8	5,235.9
Loans and receivables at amortised cost	17	13,392.5	10,676.9
Investments at policyholders risk	18	13,531.7	14,604.0
Third party interests in consolidated investment funds	19	2,543.5	3,371.2
Reinsurance assets	26	538.7	562.1
Receivables and other financial assets	20, 29	1,194.8	1,376.8
Current tax assets		54.5	47.8
Accrued interest and prepayments		562.9	539.0
Cash and cash equivalents		3,810.9	2,503.4
Assets held for sale	5	-	29.2
Total assets		**76,396.8**	**73,468.2**
Total capital and reserves		3,184.8	2,568.9
Non-controlling interests	24	217.7	253.8
Total shareholders funds		3,402.5	2,822.6
Insurance liabilities	25, 28	47,915.8	45,789.9
Liabilities for investment contracts	27, 28	6,918.3	6,304.5
Pension obligations	29	37.5	2,501.6
Provisions for other liabilities	30	77.4	58.6
Deferred tax liabilities	31	29.3	35.8
Current tax liabilities		72.5	63.8
Subordinated debt	32	1,358.6	1,352.4
Securitised mortgages loan notes	32	2,007.8	2,223.2
Other borrowings	32	616.4	740.5
Derivatives	16	790.0	991.9

Consolidated statement of financial position

In millions of euros		31 December 2016	31 December 2015
Investments at policyholders risk	18	10.6	21.7
Third party interests in consolidated investment funds	19	2,543.5	3,371.2
Customer savings and deposits	33	5,713.9	5,063.0
Other financial liabilities	33	182.0	122.8
Other liabilities	34	4,720.8	2,004.6
Total liabilities		72,994.3	70,645.5
Total shareholders funds and liabilities		**76,396.8**	**73,468.2**

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

Consolidated income statement

Consolidated income statement

In millions of euros		2016	2015
Gross written premiums	6	3,726.9	4,038.3
Outward reinsurance premiums	6	-138.6	-162.5
Net written premiums		3,588.2	3,875.9
Change in unearned premiums provision	6	-27.4	0.4
Net premiums earned	6	3,560.9	3,876.3
Investment income	6	5,104.8	1,753.8
Share of profit or loss after tax of associates	6	-7.5	82.6
Net investment income	6	5,097.3	1,836.4
Fee and commission income	6	246.0	298.7
Other income	6	3.1	63.2
Total investment and other income	6	5,346.4	2,198.3
Total income	**6**	**8,907.2**	**6,074.6**
Net claims and benefits paid	7	3,845.9	3,878.0
Change in insurance liabilities	7	2,837.4	-213.8
Charge to financial liability on behalf of third party interest in consolidated investment funds	7	368.6	487.3
Expenses relating to the acquisition of insurance, investment and other contracts	7	598.5	621.4
Finance costs	7	315.7	362.5
Other operating expenses		581.0	788.8
Total expenses	**3**	**8,547.1**	**5,924.2**
Result before tax from continuing operations	**31**	**360.2**	**150.4**
Income tax		-87.9	-9.6
Result after tax from discontinued operations		-	-0.6
Net result		**272.2**	**140.2**
Attributable to:			
Delta Lloyd NV shareholders		231.2	128.1
Non-controlling interests		41.0	12.1

Earnings per share

In euros	2016	2015
Basic earnings per share from continuing operations *	0.57	0.47
Basic earnings per share from discontinued operations *	0.00	0.00
Basic earnings per share including discontinued operations	**0.57**	**0.47**
Diluted earnings per ordinary share from continuing operations *	0.55	0.45
Diluted earnings per ordinary share from discontinued operations *	0.00	0.00
Diluted earnings per ordinary share including discontinued operations	**0.55**	**0.45**

* Comparative figures restated due to the effect of the rights issue on the number of outstanding shares.

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

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income

In millions of euros	2016	2015
Net result	272.2	140.2
Actuarial gains and losses (pension obligations)	-201.9	126.0
Actuarial gains and losses of subsidiaries sold	-	2.1
Other reserve transferred to retained earnings	-	-2.1
Revaluation reserve of property sold	-	-5.2
Revaluation reserve transferred to retained earnings	-	5.2
Transfer of actuarial gains and losses relating to DPF contracts to provisions	-	-1.6
Income tax relating to items that will not be reclassified	50.5	-31.3
Total items that will not be reclassified to income statement	-151.4	93.1
Changes in value of financial instruments available for sale*	-70.0	-402.8
Revaluation reserve of subsidiaries sold transferred to income statement	-	-50.6
Transfer of available for sale relating to DPF contracts to provisions	-	88.9
Fair value adjustments associates**	4.5	-39.5
Fair value adjustments due to micro hedge debt securities available for sale	-	11.2
Income tax relating to items that may be reclassified	10.5	50.9
Total items that may be reclassified subsequently to income statement	-55.0	-342.0
Total amount recognised directly in equity	-206.4	-248.9
Total comprehensive income	**65.8**	**-108.7**
Attributable to:		
Delta Lloyd NV shareholders	34.1	-124.9
Non-controlling interests	31.7	16.2

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

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

The fair value adjustments associates include the effect of the sale of Van Lanschot. See section 'Associates' for more details.

The notes and the accounting policies are an integral part of these financial statements.

Consolidated statement of changes in shareholders' funds

Consolidated statement of changes in shareholders' fund

In millions of euros	Ordinary share capital	Share premium	Revaluation reserves	Other reserves	Equity compensation plan	Treasury shares	Retained earnings	Total capital and reserves *	Non-controlling interests	Shareholders' funds
At 1 January 2015	39.9	505.9	534.1	-622.8	6.4	-17.2	2,022.1	2,468.4	277.9	2,746.2
Total other comprehensive income	-	-	-351.3	95.2	-	-	3.1	-253.0	4.1	-248.9
Result for the period**	-	-	-	-	-	-	128.1	128.1	12.1	140.2
Final dividend payment 2014	0.9	-1.0	-	-	-	-	-62.7	-62.8	-	-62.8
Interim dividend payment 2015	0.9	-0.9	-	-	-	-	-50.2	-50.2	-	-50.2
Non-controlling interests in dividend payment 2015	-	-	-	-	-	-	-	-	-40.3	-40.3
Issue share capital	4.0	333.1	-	-	-	-	-	337.1	-	337.1
Change treasury shares	-	-	-	-	-	2.4	-	2.4	-	2.4
Conditional shares granted	-	-	-	-	-0.9	-	-0.1	-1.0	-	-1.0
Reclassification between equity classes	-	-	-1.0	1.0	-	-	-	-	-	-
At 31 December 2015	**45.7**	**837.1**	**181.8**	**-526.6**	**5.5**	**-14.8**	**2,040.3**	**2,568.9**	**253.8**	**2,822.6**
At 1 January 2016	45.7	837.1	181.8	-526.6	5.5	-14.8	2,040.3	2,568.9	253.8	2,822.6

Total other comprehensive income	-	-	-45.7	-151.4	-	-	-	-197.1	-9.3	-206.4
Result for the period**	-	-	-	-	-	-	231.2	231.2	41.0	272.2
Interim dividend payment 2016	1.0	-1.0	-	-	-	-	-26.7	-26.7	-	-26.7
Non-controlling interests in dividend payment 2016	-	-	-	-	-	-	-	-	-67.7	-67.7
Issue share capital	45.5	583.3	-	-	-	-	-	628.8	-	628.8
Change treasury shares	-	-0.2	-	-	-	-17.9	-	-18.1	-	-18.1
Conditional shares granted	-	-	-	-	-1.6	-	-0.6	-2.2	-	-2.2
Reclassification between equity classes	-	-	-2.7	719.9	-	-	-717.2	-	-	-
At 31 December 2016	**92.3**	**1,419.0**	**133.4**	**41.9**	**3.9**	**-32.7**	**1,527.0**	**3,184.8**	**217.7**	**3,402.5**

* Attributable to Delta Lloyd NV shareholders.

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

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

Of the shareholders' funds € 2,833.8 million is available for distribution (2015: € 2,213.6 million). By law, Delta Lloyd may only pay a dividend if the share capital and reserves permit it (see section 'Profit appropriation').

The other reserves include among other things the actuarial gains and losses for pensions. The movements in other reserves during 2016 relate to the pension plan, see section 'Pension obligations' for more details.

Delta Lloyd issued 227,567,943 new ordinary shares on 8 April 2016, priced at € 2.85 each. This resulted in an increase in equity of € 628.8 million, after deducting costs (€ 19.8 million net of tax). See section 'Share capital' for more details.

Payment in cash and delivery of ordinary shares in respect of the 2016 interim dividend of € 0.10 per ordinary share took place on 8 September 2016. Approximately 41.4% of shareholders elected to receive the dividend in ordinary shares. Consequently, 5,149,893 new ordinary shares were issued as stock dividend and charged to the share premium account (€ -1.0 million), after deducting costs net of tax (€ 0.0 million). The remaining 58.6% of the shareholders received the dividend in cash (€ 26.7 million). Section 'Share capital' and section 'Profit appropriation' provide further details on the dividend distributions and policy.

At 31 December 2016, there were 897,247 treasury shares (2015: 1,047,373 shares), with an average purchase price of € 14.10, which are held for meeting obligations under the equity compensation plan and for part of the base salary of the Executive Board that is paid in shares. An additional 5,149,893 shares were purchased in 2016 to neutralise the dilutive effect of stock dividend. The average purchase price amounted to € 3.90.

The equity compensation plan refers to the share-based and performance-related incentive plans as described in section 'Employee information'. The movement consists of a settlement of € 2.0 million and € 0.4 million in new grants. Almost no variable remuneration was awarded for 2015. Options settled at a different rate than initially granted resulted in a movement of € -0.6 million in retained earnings.

The reclassification between equity classes relate mainly to the actuarial gains and losses transferred to the retained earnings due to the new pension plan. The gross effect is € 959.9 million and the tax effect is € -240.0 million, resulting in a net effect of € 719.9 million on the retained earnings. See section 'Pension obligations' for more details.

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

Consolidated cash flow statement

Consolidated cashflow statement

In millions of euros		2016	2015*
Net result			
Net result		272.2	140.2
Of which result from discontinued operations		-	-0.6
Adjustments for:			
Income tax expense		87.9	20.0
Depreciation, amortisation, impairments and revaluation of items not at fair value		361.0	415.5
Unrealised gains and losses		-2,058.7	2,241.5
Change in provisions for insurance and investment contracts net of reinsurance	25, 26, 27	3,121.7	269.7
Change in liability for third party interests in consolidated investments funds		-814.2	-688.1
Share of profit or loss and other non-cash items from associates and joint ventures	14	14.3	-82.2
Additions/(releases) in provisions for other liabilities	30	18.6	5.5
Cash generating profit for the year		1,003.0	2,322.1
Net (increase) / decrease in investment property	13	-51.7	530.5
Net increase / (decrease) in other financial liabilities	33	7.6	-548.5
Net (increase) / decrease in intangible assets	10	7.5	-3.0
Income taxes (paid) / received		-1.8	-88.1
Net (increase) / decrease in other operating assets and liabilities		-19.7	-259.9
Net cash flow from operating activities, including discontinued operations		944.9	1,953.1
Of which cash flow from operating activities of discontinued operations		-	-51.8
Cash flow from investing activities			
Purchase of intangible assets		-6.5	-
Net (increase) / decrease in debt securities	15	-160.1	-1,919.0
Net (increase) / decrease in equity securities	15	977.9	435.0
Net (increase) / decrease in derivatives	16	27.6	-66.9
Net (increase) / decrease in investments at policyholders' risk	18	-791.6	-700.1
Net (increase) / decrease in third party interest in investment funds	19	785.3	543.3
Net (increase) / decrease in loans and other financial assets	17	-1,603.6	299.3
Net increase / (decrease) in collateral received		693.9	-134.4
Purchases of property and equipment	12	-8.5	-12.7
Proceeds from sale of property and equipment	12	-	0.1

Dividends received from associates	14	7.4	26.6
Disposal of and capital withdrawal associates	14	225.5	75.9
Proceeds from sale of subsidiaries	4	-	-173.2
Net cash flow from investing activities, including discontinued operations		147.4	-1,626.0
Of which cash flow from investing activities of discontinued operations		-	80.3

Consolidated cashflow statement

In millions of euros		2016	2015*
Cash flow from financing activities			
Proceeds from borrowings	32	540.0	534.3
Repayment of borrowings	32	-872.5	-1,545.3
Issue of share capital	10.1.4	628.6	336.9
Dividends paid to shareholders	10.1.4	-26.7	-113.0
Dividends paid to non-controlling interests	10.1.4	-67.7	-40.3
Net cash flow from financing activities, including discontinued operations		201.7	-827.4
Of which cash flow from financing activities of discontinued operations		-	-
Net (decrease) / increase in cash and cash equivalent, including discontinued operations		**1,294.0**	**-500.3**
Of which net (increase / decrease) in cash and cash equivalent of discontinued operations		-	28.5
Statement of changes in cash and cash equivalents			
Cash and cash equivalents at beginning of year		2,635.3	3,135.5
Net (decrease) / increase in cash and cash equivalents		1,294.0	-500.3
Total cash and cash equivalents at 31 December		**3,929.3**	**2,635.3**
Consolidated statement of financial position, own risk		3,810.9	2,503.4
Risk reward policyholder and third party investment funds	18,19	118.4	131.9
Total cash and cash equivalents at 31 December		**3,929.3**	**2,635.3**
Further details on cash flow from operating activities			
Interest paid		319.3	351.9
Interest received		1,678.1	1,731.1
Dividends received	6,14	228.7	277.1

* A separate line item is included to reflect the movements in provisions for other liabilities and collateral received. Comparative figures have been adjusted accordingly.

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

The cash flow statement is presented before held for sale. To present the financial effect of the discontinued operations in 2015, the cash flows from discontinued operations are disclosed separately.

Included in the cash position is an amount of € 2,383.2 million received as cash collateral (2015: € 1,822.3 million). The related obligation is presented in the financial liabilities.

Accounting policies

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

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

Basis of presentation

Delta Lloyd prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union and with Part 9 of Book 2 of the Dutch Civil Code. Delta Lloyd has used the EU carve-out on hedge accounting for its banking activities since 1 May 2015, and for Delta Lloyd's residential mortgage warehouse Amstelhuys since 1 January 2016.

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

The following new standards, amendments and improvements, which are mandatory and have been applied since 1 January 2016, have no impact on the accounting policies, result or shareholders' funds of Delta Lloyd:

- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities – Applying the Consolidation Exception;
- Amendments to IFRS 11 Accounting for Acquisitions of Interest in Joint Operations;
- Amendments to IAS 16 and 38 Clarification of Acceptable Methods of Depreciation and Amortisation;
- Amendments to IAS 1 Disclosure Initiative;
- Amendments to IAS 27 Equity method in separate financial statements; and
- Annual improvements to IFRSs 2012 – 2014 Cycle.

The IASB published new standards, amendments and improvements that had not yet been endorsed by the European Union on 31 December 2016. Once they are endorsed, Delta Lloyd will adopt these new standards, amendments and improvements when they become mandatory in the EU:

- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (IASB effective date 1 January 2017);
- Amendments to IAS 7 Disclosure Initiative (IASB effective date 1 January 2017);
- Clarifications to IFRS 15 Revenue from Contracts with Customers (IASB effective date 1 January 2018);

- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (IASB effective date 1 January 2018);
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (IASB effective date 1 January 2018);
- IFRS 14 Regulatory Deferral Accounts (IASB effective date 1 January 2016). The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;
- Annual improvements to IFRSs 2014 – 2016 Cycle (IASB effective date 1 January 2017);
- Amendments to IAS 40 Transfers of Investment Property (IASB effective date 1 January 2018); and
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (IASB effective date 1 January 2018).

Expected significant upcoming changes for Delta Lloyd after 2016 are explained below.

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

IFRS 9 replaces the existing standard (IAS 39) for the classification and measurement of financial assets, impairments of financial assets measured at amortised cost or at fair value through other comprehensive income, and micro hedge accounting. This standard is endorsed by the European Union. Delta Lloyd has started an IFRS 9 project group with members from the Risk, Finance and Operation teams to prepare for IFRS 9 implementation. The project is sponsored by the Director Group Finance Control and Tax who regularly reports to Delta Lloyd's Executive Board. The initial assessment and analysis stage was completed at the end of 2015. Both the classification and measurement project and the impairment project have now finished the analysis and design phases and assessed the corresponding disclosure requirements.

Classification and measurement

How debt instruments are measured depends on the business model and the instruments' contractual cash flow characteristics. Fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) and amortised cost are the three measurement categories. Also the fair value option can be used if this significantly reduces an accounting mismatch that would otherwise arise. There are specific and elaborate impairment requirements under IFRS 9 for both the measurement bases amortised cost and FVOCI.

Having completed Delta Lloyd's initial assessment, Delta Lloyd has concluded that in general:

- The majority of loans and advances to policyholders, banks and intermediaries, and issued loans measured at amortised cost under IAS 39 are expected to be measured at amortised cost under IFRS 9 except for those held by the insurance companies within the group which are expected to measure at FVTPL, because of the classification of these financial assets in the business model 'other' or the use the fair value option.;
- Financial assets and liabilities held for trading and financial assets and liabilities designated at FVTPL are expected to be continue to be measured at FVTPL;
- The majority of the debt securities classified as available for sale under IAS 39 is expected to be measured at FVOCI. However, some securities will be classified as FVTPL, either because of their contractual cash flow characteristics in combination with the business model within which they are held or because of the fair value option that will be used;
- The measurement for derivatives remains the same under IFRS 9, namely FVTPL;

- Equity securities will all be measured at FVTPL; Delta Lloyd does not expect to use the FVOCI option. This will affect the current equity securities that are classified as available for sale under IAS 39 (FVOCI); consequently, under IFRS 9, all gains and losses will be reported in profit or loss for the period; and
- Some financial liabilities which are currently measured at amortised cost will be designated to be measured at FVTPL to better align with Solvency II reporting.

At this stage, Delta Lloyd does not plan to use the temporary exemption or overlay approach regarding IFRS 9.

Hedge accounting

IFRS 9 allows entities to continue with the macro hedge accounting under IAS 39, even when other elements of IFRS 9 become mandatory on 1 January 2018. Based on Delta Lloyd's analysis, Delta Lloyd has decided to continue to apply macro hedge accounting under IAS 39. Delta Lloyd does not use micro hedge accounting.

Impairment of financial assets

Impairment rules under IFRS 9 are based on a forward-looking expected loss (ECL) approach, instead of the current incurred loss approach of IAS 39. Delta Lloyd will be required to record an allowance for expected losses for all financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts.

The project group is in the process of developing different impairment models for each financial asset. For the general approach, the models will recognise 3 stages; stage 1 'performing loans', stage 2 'underperforming loans' and stage 3 'impaired loans'. In stage 1, the loss allowance for a financial instrument equals 12-month expected credit loss, while in stages 2 and 3 it equals the life-time expected credit loss. These models incorporate such things as how to determine credit risk and default, assessment when a significant increase in credit risk has occurred, forward-looking information and the measurement of ECLs. Based on the work done so far, Delta Lloyd expects the impairment charge under IFRS 9 to be more volatile than under IAS 39. Delta Lloyd intends to use the available simplified approach for trade receivables and contract assets that result from contracts within the scope of IFRS 15 and for lease receivables that result from contracts within the scope of IAS 17, in which case the loss allowance equals life-time expected credit losses

After this, the project group will evaluate how the new ECL model will impact shareholders' funds.

IFRS 15 Revenue from Contracts with Customers (IASB effective date 1 January 2018)

IFRS 15 replaces the existing standards IAS 18 Revenue and IAS 11 Construction Contracts, and related interpretations. This standard is endorsed by the European Union. This standard provides accounting guidance for all revenue arising from contracts with customers to provide goods or services to customers, unless the contracts are subject to other IFRS requirements, such as insurance contracts. An initial assessment was performed. As Delta Lloyd is primarily an insurance company, this standard is expected to have no material impact on the net result and shareholders' funds of Delta Lloyd. Delta Lloyd's main revenue components subject to this standard are fee and commission income and other income. For example management fees and performance fees received by asset management, commission fees received for the sale of products sold for third parties. For these items, revenue recognition is not expected to change significantly compared to how Delta Lloyd already recognises revenue. The project will be finalised in 2017.

IFRS 16 Leases (IASB effective date 1 January 2019)

The IASB has developed a new Leases Standard (IFRS 6), which supersedes IAS 17 Leases. There is little change for lessors, but lessee accounting has changed substantially. All leases are treated in a similar way to finance leases applying IAS 17. Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments. Delta Lloyd is still investigating the impact.

Other

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

IAS 1 Presentation of Financial Statements requires a distinction between current and non-current assets and liabilities in the consolidated statement of financial position, unless a liquidity-based presentation provides better insight. For an insurance group, close control over liquidity, asset and liability matching, and highly regulated capital and solvency positions are considered to be more relevant. As such, no distinction is made between current and non-current for insurance-related items. For further details of their risk management, see section 'Risk management'.

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

Financial impact of changes in accounting policies and reclassifications

The abridged company income statement pursuant to Section 2:402 of the Dutch Civil Code is no longer available for the separate financial statements. Accordingly, a full income statement was prepared. This is only a change in presentation and has no impact on Delta Lloyd's results and shareholders' funds.

Saving mortgages of ABN AMRO Verzekeringen were reclassified from investments at policyholders' risk to other loans own risk after additional investigation on the classification of these mortgages in line with reporting policies of Delta Lloyd (see section 'Loans and receivables'). The related liability was also reclassified from RRPH to own risk. This reclassification had therefore no impact on Delta Lloyd's result and shareholders' funds.

Use of assumptions and estimates

Preparing financial statements requires Delta Lloyd to make assumptions and estimates that affect items reported in the consolidated statement of financial positionand income statement and the disclosure of contingent assets and liabilities at the date of the financial statements. In particular, this concerns assumptions and estimates used to establish insurance contract provisions (including longevity risk), determine the fair value of assets and liabilities (see section 'Fair value of assets and liabilities'), establish impairment (e.g. regarding goodwill, debt securities and equity securities and loans and receivables), employee benefits and deferred acquisition costs. These assumptions and estimates are based on management's best knowledge of current facts, circumstances and, to some extent, future events and actions. Important assumptions are set out in the relevant note. Actual results may ultimately differ, possibly significantly, from these estimates.

Interest rate curve

Delta Lloyd assesses in each reporting period whether the applied Collateralised AAA curve, including an ultimate forward rate (UFR), is representative as a current market interest rate curve for the valuation of insurance liabilities under IFRS. Delta Lloyd's assessment, at 30June 2016, showed that the collateralised curve no longer provides the best possible representation of current market interest rates under IFRS and that a better representation is available.

As of 30 June 2016, Delta Lloyd uses an IFRS discount curve which is based on the Solvency II (SII) curve, including a volatility adjustment (VA), credit risk adjustment (CRA) and an UFR as the estimate for a current market interest rate curve under IFRS. Delta Lloyd's new basis curve is the EUR swap curve. This curve has a broader spectrum of liquid maturities available in the market and spreads that are more stable compared to the collateralised AAA rates. Interpolation is applicable for maturities for which no interest rate is provided up to the last liquid point (LLP). The table below shows the differences per building block of the Collateralised AAA curve Delta Lloyd used before and the new IFRS discount curve Delta Lloyd uses now.

Building blocks	Collateralised AAA curve	New IFRS discount curve
Basis	Maximum of DNB swap curve and Collateralised AAA curve	EUR swap curve
Last liquid point (LLP)	20 years	20 years
Interpolation	Combination of UBS fitting technique and constant forward rate	Smith-Wilson
Credit risk adjustment (deduction)	N/A due to insignificant credit risk in Collateralised AAA curve	Corridor of 10 - 35 bps (determined by EIOPA on a monthly basis)
Liquidity risk spread (increase)	Implicitly: maximum (Collateralised AAA -/- DNB swap rate; 0)	Volatility adjustment (VA) (determined by EIOPA on a monthly basis)
Extrapolation	Smith-Wilson with an UFR of 4.2% Convergence tolerance of 3 bps Convergence period of 40 years after LLP	Smith-Wilson with an UFR of 4.2% Convergence tolerance of 1 bps Convergence period of 40 years after LLP

The European Insurance and Occupational Pensions Authority (EIOPA) publishes the SII curve on a monthly basis. Delta Lloyd applies this curve as an estimate for current market interest rates under IFRS (IFRS discount curve), including any potential changes in the methodology of the construction of the SII curve, provided that the interest rate curve complies with IFRS.

Delta Lloyd assesses in each reporting period whether the applied curve is representative as a current market interest rate curve for the valuation of insurance liabilities. Delta Lloyd also assesses each reporting period whether the long end of the curve can be derived from sufficient relevant observable market inputs. If that is the case, then Delta Lloyd will cease to apply the UFR extrapolation method. If no sufficient relevant observable market inputs are available, Delta Lloyd will continue to estimate current market interest rate using the UFR extrapolation approach described, while reassessing the parameters used.

This curve adjustment creates a more stable and robust basis for the calculation of current market interest rates. The introduction of our new IFRS discount curve had a positive effect on the reported result of 2016 of € 416.1 million after tax, and therefore a positive effect on shareholders' funds too.

As a result of the introduction of the new method for determining the IFRS curve, Delta Lloyd re-evaluated the methodology for estimating the risk margin for unhedgeable financial risks in the LAT. Delta Lloyd still recognises this risk, but no longer includes this risk in the LAT, as this risk is considered sufficiently covered in the recovery plans.

Longevity provision

Delta Lloyd refined its calculation for the longevity provision. The previous method, which incorporated scaling of reserves, was no longer sustainable due to the ongoing low interest rates. In the refined method the cash flows are discounted against the interest rate associated with the duration of that cash flow instead of using an approximation based on a ratio (scaling of reserves). This change in estimation method had a negative effect on the reported result for of 2016 of € 247.9 million after tax, and therefore a negative effect on shareholders' funds too.

Mortality tables

At year-end 2016, the longevity provision for the Dutch life insurance business was valued on the basis of AG2016 (2015: AG2014), the most recent mortality table published by the Dutch Society of Actuaries (Actuarieel Genootschap). The AG2016 mortality table no longer makes separate prognoses for men and women, but uses the correlation between the mortality developments of men and women. The dataset used is extended to include Scotland, Northern Ireland, East Germany, and adjusted for mortality experience. This change in estimation had a negative effect on the reported result for 2016 of € 37.6 million after tax, and therefore a negative effect on shareholders' funds too. For the Belgian portfolio, the most recent mortality table as published by the Institute of Actuaries in Belgium is used, which also changed during the year. This change in estimation had a negative effect on the reported result for 2016 of € 19.8 million after tax, and therefore a negative effect on shareholders' funds too.

Consolidation principles

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

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

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

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

Investment funds

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

Based on this assessment, Delta Lloyd concluded that it controls almost all investment funds it manages and in which it holds an interest, and therefore consolidates these investment funds in the financial statements.

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

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

Structured entities

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

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

Delta Lloyd concluded, based on the assessment, that it has control over these special purpose entities and needs to consolidate them in the financial statements.

As part of its investment activities, Delta Lloyd also invests in structured entities established by other parties. Since July 2016, Delta Lloyd Levensverzekering has used a structured entity to invest in a portfolio of Dutch mortgages originated by Rabobank. Considering the purpose and design and the extent of Delta Lloyd's exposure to the variability of returns of this vehicle, Delta Lloyd has control over this structured entity. As such this structured entity is consolidated by Delta Lloyd. See section 'Loans and receivables' for details regarding this structured entity.

None of the other investments in structured entities established by other parties meet the requirement for Delta Lloyd to have control. See section 'Debt and equity securities' for details regarding these securities in unconsolidated structured entities.

Foreign currency translation

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

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

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

Product classification

Financial assets and liabilities

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

The FVTPL category has two subcategories - those that meet the definition of being 'held for trading' (HFT) and those Delta Lloyd chooses to designate as FVTPL (referred to as 'other than trading' or OTT). Derivatives are classified in the HFT category.

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

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

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

Insurance and investment contracts

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

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

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

Notes to the consolidated financial statements

(1) Risk management

In the risk management section Delta Lloyd describes and analyses its main risks, and the approach to managing these. It also provides a sensitivity analysis, based on the main economic and non-economic assumptions that may lead to volatility in results and in shareholders' funds.

Risk management philosophy

Our risk management policies are designed to protect Delta Lloyd against events that may jeopardise our ability to achieve sustainable results, the required minimum solvency level, or our strategic objectives. Our mission is to manage uncertainty. Risk management is fully embedded in our daily operations, to identify, analyse, measure, manage, control and audit risks that may arise in the course of our business operations, in a timely manner. This helps to maintain our credit ratings, meet our obligations to customers and other creditors, and comply with legislative and regulatory requirements and best practises. Delta Lloyd's approach to risk is based on risk governance, risk processes and systems, risk culture, risk taxonomy and capital model.

Solvency II

Solvency II is the regulatory framework for insurance companies operating in the European Union. It became active on 1 January 2016. Solvency I ratio's are therefore no longer applicable.

Under Solvency II, capital requirements depend directly on consistently-measured risk. It is based on economic principles for measuring assets and liabilities. Although insurance companies have had to make far-reaching and comprehensive preparations for Solvency II, Delta Lloyd supports the principles underlying the new framework. Delta Lloyd applies risk-based elements in asset allocation, asset liability management (ALM), risk management, capital allocation, product pricing and commercial strategy.

The implementation of our Partial Internal Model (PIM) is on track. Possible benefits of the PIM include a reduced solvency capital requirement (SCR), reduced risk margin and improved LAC DT, to be realised from January 2018. An industry review among peers showed a potential solvency uplift of 10-15% compared to the standard formula approach. Delta Lloyd has rebuilt their risk calibrations reflecting industry practice and feedback from the regulator. Delta Lloyd plans to submit the application for regulatory approval no later than 30 June 2017. Shortly after completion of the acquisition of Delta Lloyd by NN Group, Delta Lloyd will inform the market should any adjustments to the submission be necessary. While Delta Lloyd is working to improve the PIM, Delta Lloyd has to report the regulatory capital numbers based on the more prescriptive Solvency II Standard Formula (SF).

The major risks Delta Lloyd is exposed to, their impact and the way they are managed are explained in the following sections.

Financial risks

Credit risk

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

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

The credit exposure that Delta Lloyd faces is shown in the table below. The risk reduction effect of credit default swaps is limited and hence not included. The collateral has been capped at the carrying value of the asset. The table below should be read in accordance with the paragraphs and tables in the remainder of this section, which provide details about the risk characteristics of the outstanding risk exposures shown in the table below.

Credit Risk-Own Risk

On 31 December 2016, Delta Lloyd's debt securities amounted to € 29.5 billion, of which 53% was invested in sovereign bonds, 27% in corporate and collateralised bonds, and 20% in sub-sovereign bonds. The residential mortgage portfolio of € 14.3 billion (2015: € 13.3 billion) is included under loans and includes securitised residential mortgages. More information about the residential mortgage portfolio of Delta Lloyd, and the changes made to the valuation methodology, can be found in section 'Fair value of assets and liabilities'.

Credit risk own risk

In millions of euros	Gross credit risk 2016	Collateral 2016	Net credit risk 2016	Gross credit risk 2015	Collateral 2015	Net credit risk 2015
Debt securities	29,535.2	-	29,535.2	28,342.1	-	28,342.1
Loans and receivables at amortised cost	13,392.5	7,842.1	5,550.5	10,676.9	7,247.0	3,429.9
Loans at fair value through profit or loss (FVTPL)	5,758.8	5,618.3	140.5	5,235.9	4,577.8	658.1
Reinsurance assets	538.7	365.3	173.5	562.1	411.7	150.3
Receivables and other financial assets	1,194.8	-	1,194.8	1,376.8	-	1,376.8
Derivatives	2,182.3	2,056.4	125.9	1,675.9	1,211.5	464.5
Deferred tax assets	457.1	-	457.1	478.4	-	478.4
Current tax assets	54.5	-	54.5	47.8	-	47.8
Accrued interest and prepayments	562.9	-	562.9	539.0	-	539.0
Cash and cash equivalents	3,810.9	-	3,810.9	2,503.4	-	2,503.4
Maximum credit risk recognised on the balance sheet	57,487.7	15,882.0	41,605.7	51,438.2	13,447.9	37,990.3
Gross maximum credit risk not recognised on the balance sheet	729.3	-	729.3	419.2	-	419.2
Gross maximum credit risk own risk	**58,217.0**	**15,882.0**	**42,335.0**	**51,857.4**	**13,447.9**	**38,409.4**

For information regarding the Loan to Market Value (LTMV) of the mortgages see section 'Loans and receivables'.

The increase in the amount for debt securities is primarily due to de-risking activities in which equity securities were sold and debt securities purchased. The increase of loans and receivables is in line with the strategic asset allocation. Lower interest rates caused higher derivative positions

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

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

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

Exposure to sovereign and sub-sovereign debt of southern European countries and Ireland on 31 December 2016 amounted to € 2,404.9 million (2015: € 2,456.9 million).Investments in these countries remained relatively stable compared to 2015. In general, southern European economies further stabilised in 2016, which was evidenced by the ending of support programs and favorable lending conditions in the market. Economic recovery was supported by an unprecedented set of measures that were presented by the ECB to weaken the exchange rate of the euro, increase inflation and support lending to the private sector. The situation per country differs and sustainable recovery still has a long way to go. This is illustrated by the recent turmoil surrounding Italian banks. Therefore, Delta Lloyd continues to strictly monitor exposure to southern European countries and Ireland.

The tables below show Delta Lloyd's total exposure to risks in relation to southern European countries and Ireland, including lending to the financial sector and other private businesses. Lending to private businesses in these countries is, by their nature and activities, not necessarily exposed to the same credit risk as in countries where their headquarters are located. The tables are based on Delta Lloyd's 'country of risk' methodology and the figures include accrued interest. The risk-reduction effect of credit default swaps is not taken into account in these figures. There are no credit default swaps to hedge against a default of the GIIPS countries other than Spain. On 31 December 2016, a nominal value of € 341.4 million is hedged against a default of Spain (2015: € 362.8 million) and there are no longer credit default swaps to hedge against a default of Italy (2015: € 25.0 million). The 'Other bonds' column includes collateralised bonds. All amounts are gross, i.e. before adjustment for any collateral received.

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

In millions of euros	Sovereign and sub-sovereign bonds	Corporate bonds (non-financials)	Corporate bonds (financials)	Other bonds	Loans and receivables	Total
Portugal	19.7	41.9	-	46.6	-	108.2
Italy	672.5	115.1	59.1	81.3	-	928.1
Ireland	366.2	86.8	14.1	22.6	-	489.7
Greece	-	20.8	-	-	-	20.8
Spain	1,346.5	267.8	119.5	134.0	-	1,867.8
Total	**2,404.9**	**532.4**	**192.7**	**284.5**	**-**	**3,414.5**

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

In millions of euros	Sovereign and sub-sovereign bonds	Corporate bonds (non-financials)	Corporate bonds (financials)	Other bonds	Loans and receivables	Total
Portugal	68.3	51.3	-	63.1	-	182.9
Italy	690.0	88.8	67.8	161.4	-	1,008.0
Ireland	408.3	85.1	89.3	96.9	-	679.6
Greece	-	28.2	-	-	-	28.2
Spain	1,290.3	250.9	125.9	267.6	-	1,934.7
Total	**2,456.9**	**504.3**	**283.0**	**589.0**	**-**	**3,833.3**

With regard to Brexit, Delta Lloyd has an exposure of € 0.8 billion to fixed income instruments in the United Kingdom. Moreover, the currency risk on these positions is almost fully hedged.

Cash position (treasury) limits are in place to maximise exposure to counterparties, and are based on credit ratings. Delta Lloyd monitors this at regular intervals. Counterparty default risk related to derivative contracts is mitigated by collateral and by maintaining a diversified portfolio.

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

The tables below show Delta Lloyd's own credit risk based on external ratings. The external ratings are based on Standard & Poor, but if these ratings are not available then Moody's or Fitch are used. Most of the loans and receivables without external ratings concern residential mortgages. The portfolio exposed to credit risk increased by approximately € 4,408.5 million during 2016 (2015: decrease € 9,874.6 million) due to de-risking activities in which equity securities were sold and debt securities purchased. Furthermore, issued loans increased due to the reclassification of investments at policyholders risk to Other loans own risk of ABN AMRO Levensverzekeringen to align with Delta Lloyd classifications (€ 1,659.5 million). The average credit rating of the portfolio is slightly higher.

Gross credit risk own risk at year-end

In millions of euros	AAA	AA	A	BBB	BB	B	Speculative rating	Without external rating	Total 2016
Debt securities	7,282.5	10,080.1	3,345.6	5,962.2	387.5	14.8	-	2,462.6	29,535.2
Loans and receivables	49.5	15.7	8.6	5.9	-	-	-	19,071.6	19,151.3
Reinsurance assets	1.5	354.3	122.2	0.7	-	-	-	60.1	538.7
Total	**7,333.4**	**10,450.1**	**3,476.3**	**5,968.8**	**387.5**	**14.8**	**-**	**21,594.3**	**49,225.3**

Gross credit risk own risk at prior year-end

In millions of euros	AAA	AA	A	BBB	BB	B	Speculative rating	Without external rating	Total 2015
Debt securities	7,379.0	8,653.0	3,520.4	6,125.7	475.7	39.4	-	2,148.8	28,342.1
Loans and receivables	31.9	42.2	21.7	6.7	-	-	-	15,810.2	15,912.7
Reinsurance assets	3.7	355.4	137.2	1.2	-	-	-	64.6	562.0
Total	**7,414.7**	**9,050.6**	**3,679.3**	**6,133.5**	**475.7**	**39.4**	**-**	**18,023.6**	**44,816.8**

Delta Lloyd suffered limited losses on its portfolio of Dutch residential mortgage loans: € 8.4 million during 2016 (2015: € 9.2 million). The amounts in default remain limited compared to the size of the portfolio. This supports Delta Lloyd's view that its portfolio is of a high credit quality. For further information regarding forbearance see section 'Loans and receivables'.

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

Financial assets after impairments at year-end

In millions of euros	Neither past due nor impaired	Financial assets that are past due but not impaired	Financial assets that have been impaired	Total 2016
Debt securities	29,530.5	-	4.8	29,535.2
Loans and receivables	18,823.6	118.6	209.2	19,151.3
Receivables and other financial assets	1,139.5	50.7	4.6	1,194.8

Financial assets after impairments at prior year-end

In millions of euros	Neither past due nor impaired *)	Financial assets that are past due but not impaired	Financial assets that have been impaired *)	Total 2015
Debt securities	28,328.1	0.3	13.7	28,342.1
Loans and receivables	15,617.1	143.6	152.1	15,912.7
Receivables and other financial assets	1,298.7	71.2	6.9	1,376.8

* The comparative figures regarding the loans and receivables were restated

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 2016
Debt securities	-	-	-	-	-
Loans and receivables	88.3	15.9	8.9	5.5	118.6
Receivables and other financial assets	15.9	9.5	25.3	-	50.7
Total	**104.2**	**25.4**	**34.1**	**5.5**	**169.2**

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

In millions of euros	Within three months	Between three and six months	Between six months and a year	More than one year	Total 2015
Debt securities	-	-	-	0.3	0.3
Loans and receivables	94.6	14.5	18.0	16.4	143.6
Receivables and other financial assets	32.6	25.5	13.1	-	71.2
Total	**127.2**	**40.0**	**31.1**	**16.7**	**215.0**

The fair value of collateral held for loans that are past due and not yet impaired was € 132.0 million on 31 December 2016 (2015: € 158.2 million).

Equity risk

Equity risk is the risk of loss in assets and liabilities as a result of lower market prices, or changes in the volatility of equity prices. Most of Delta Lloyd's equity risk is in the investment portfolio and there is equity related risk originating from guarantees in the unit-linked and GSB liabilities portfolio. As a result of the de-risking activities for equity, Delta Lloyd reduced the risk tolerance for equity risk to 20% (2015: 35%) of total available economic capital in 2016.

During 2016 Delta Lloyd reduced its equity risk further by net selling € 1.0 billion leading to an own risk position at 31 December 2016 of € 1.2 billion (2015: € 2.2 billion). Approximately 4% (2015: 11%) of these equity investments were in shareholdings with a stake of 5% or more of the outstanding capital of mainly Dutch companies; 56% (2015: 49%) was in investment funds; and 6% (2015: 16%) in alternative equity (includes private equity, hedge funds and CDO equity) at 31 December 2016. The property and bond funds with a value of € 0.6 billion on 31 December 2016 (2015: € 0.6 billion), are accounted for in equity securities (investment funds). The remaining 34% (2015: 24%) of the portfolio comprised ordinary and preference shares at 31 December 2016. Excluding private equity, preference shares and property and bond funds, and including equity derivatives, the equity portfolio was € 0.5 billion on 31 December 2016 (2015: € 1.8 billion).

Apart from the reduction in the own-risk equity position, Delta Lloyd also sold its associate share in Van Lanschot through a marketed share offering. This sale is also the main cause for the decreased share of equity investments in shareholdings with a stake of 5% or more. For more information regarding this sale, please see section 'Associates'.

Delta Lloyd had no exposure to equity put options at 31 December 2016, just like we had at 31 December 2015. The notional value of short futures was € 0.6 billion at 31 December 2016 (2015: € 0.5 billion) and the notional value of call options was € 0.4 billion at 31 December 2016 (2015: € 0.2 billion).

Property Risk

Property risk is the risk of losses due to lower prices of property investments. There is no direct property risk in Delta Lloyd's liabilities. Rental income from the residential portfolio offers protection to the long-term inflation risk faced by Delta Lloyd's life insurance business.

Delta Lloyd's real estate portfolio on 31 December 2016 mainly consists of directly owned residential assets, with a focus on the Netherlands, and indirect exposure to real estate through other investments, namely non-listed Dutch real estate funds.

On 31 December 2016, Delta Lloyd's property portfolio (excluding property funds), which is held at own risk, was valued at € 1.2 billion (2015: € 1.1 billion), divided into residential 88% (2015: 88%), offices 4% (2015: 4%), property occupied by Delta Lloyd 4% (2015: 5%) and other 4% (2015: 3%).

Of this portfolio, on 31 December 2016, 91% was located in the Netherlands and 9% in Belgium, compared with 31 December 2015, when 89% was located in the Netherlands and 11% in Belgium. Residential property, which to date has remained relatively steady, accounts for the largest share of the portfolio.

Vacancy rates for property in the Netherlands on 31 December 2016 were 2% for residential, 0% for retail and 30% for offices, compared with 2% for residential, 8% for retail and 27% for office on 31 December 2015. The increase in vacancy rate for offices is due to the partly vacant Joan Muyskensweg office, which will be developed into residential units which are expected to be available in the last quarter of 2018. The Joan Muyskensweg office accounts for approximately half of the office portfolio. Vacancy rates for the Dutch property portfolio are calculated by stating rental income foregone as a percentage of total gross rental income, this year-to-year cumulative rate includes the vacancy of the sold property portfolio in 2015.

Delta Lloyd's short-term strategy for direct real estate investments (residential) is to maximise free cash flow and optimise the holdings in its portfolio. In the medium and long-term, Delta Lloyd seeks to be an active real estate fund manager for itself. In addition, it seeks to develop and launch beneficial real estate investment opportunities for itself.

Interest rate risk

Delta Lloyd is subject to interest rate risk as the market value of the assets and liabilities depends mainly on interest rates. There is an additional risk regarding fixed-income assets and instruments, as the yields on these assets may develop differently from the yields used to value the insurance liabilities.

Interest rate risk is managed by matching the interest sensitivity and cash flows of assets and liabilities within the Solvency II framework. Although under both IFRS and Solvency II the same curve is used for insurance liabilities, interest rate sensitivities are different. All assets and liabilities are interest rate risk sensitive under Solvency II as they are all measured using current interest rates. Parts of the assets (mainly mortgages and loans) and liabilities are measured at amortised costs under IFRS and therefore not interest rate sensitive. As of 30 June 2016, Delta Lloyd uses the new IFRS discount curve to measure the majority of its insurance liabilities.

The 10-year point of the IFRS discount curve at 31 December 2016 is 0.70% and the 20-year point is 1.25%, which is a decrease of 44 and 50 basis point respectively compared to year-end 2015. The main reason for the decline in the IFRS discount curve is a general decrease in interest rates in the first three quarters of 2016, interest rates increased in the fourth quarter of 2016. The IFRS discount curve is determined using an ultimate forward rate (UFR) for durations of 20 years onwards converging to an UFR of 4.2% over a period of 40 years. Delta Lloyd still considers a UFR of 4.2% suitable for estimating market interest rates at the long end of the discount rate curve under IFRS. An UFR of 4.2% is accepted market wide by insurers for solvency purposes, is in line with the findings of EIOPA and within limits of statistical tests on the forward rate.

Delta Lloyd's interest rate risk management aims to ensure a stable Solvency II ratio to the maximum extent possible. Interest rate risk is managed by matching the interest rate sensitivity of assets and liabilities, and by cash flow matching. The interest rate risk is controlled by means of fixed income instruments such as bonds and mortgages, derivatives including swaps and swaptions. The unit-linked guarantee is actively hedged in a separate portfolio. Given the relevance of a stable Solvency II ratio, the interest rate risk tolerance limits the change of this ratio under a 25 bps parallel shock.

The effect of interest rate movements on an economic basis may be different compared to the effects on a regulatory basis. One important factor causing this difference is the UFR. The UFR impacts the interest rate sensitivity of liabilities for maturities beyond 20 year. Because the UFR is only applied to liabilities, those assets and liabilities with maturity larger than 20 year react differently to the same curve movements. This difference in interest rate risk sensitivity is difficult to manage, and hedging it worsens the cash flow matching or economic hedging. Although Delta Lloyd has accepted this risk in order to maintain cash flow matching, it will continue to closely monitor this risk.

Inflation risk

Delta Lloyd has written collective pension policies under which pension benefits are indexed in line with the Dutch or European inflation rate. Part of this inflation risk is hedged by inflation-linked derivative instruments. Delta Lloyd also faces inflation risk on claims provisions: if inflation rises, so will claims payments. For example, car damage repair costs will be higher than was projected when the premium was set. Finally, Delta Lloyd's expenses are sensitive to inflation risk as a result of, for example, increasing wages. In the event of deflation, the pension obligations are not adjusted downwards, even though the value of the inflation linked swaps would fall. On the other hand, deflation reduces economic costs. This has a positive net effect on total required economic capital employed by Delta Lloyd. The expenses included in the IFRS LAT and SII best estimate are also sensitive to inflation risk. The inflation risk tolerance was kept at 7.5% of total available economic capital.

Currency risk

Delta Lloyd defines currency risk as the risk that the value of financial instruments will change due to exchange rate fluctuations.

Delta Lloyd operates primarily within the euro area. Its investments in foreign currencies are mainly in pound sterling and the US dollar. Delta Lloyd hedges fixed income investments in liquid foreign currencies to limit the impact of exchange rate fluctuations on profit and loss.

Delta Lloyd does not apply hedge accounting under IAS 39 to offset currency risk. The sensitivity to foreign currency in the event of a 10% decrease in the exchange rate of all foreign currencies at the same time was € -61.4 million (2015: € -105.2 million) on the result before tax and € -46.0 million (2015: € -78.9 million) on capital and reserves on 31 December 2016. In 2016, the risk tolerance for currency risk was set at 4% of total available economic capital, the same as in 2015.

If an internationally-operated company expresses its equity in foreign currency, the value of the equity is expected to rise if the exchange rate in which the equity is quoted falls. This compensating effect has not been included in the sensitivity analysis.

The table below demonstrates foreign currency assets and liabilities that are held at Delta Lloyd's own risk. The amounts are before and after hedging using currency derivatives. The category 'Other' consists mainly of Indonesian Rupiah, Turkish lira and Colombian Peso.

The decrease in foreign currency exposure is mainly caused by the de-risking of equity securities in foreign currencies.

Foreign currency exposure own risk

In millions of euros	Currency exposure at year-end	Hedged through currency derivatives at year-end	Net currency exposure at year-end	Currency exposure at prior year-end	Hedged through currency derivatives at prior year-end	Net currency exposure at prior year-end
Pound sterling	195.7	133.5	62.2	265.5	135.0	130.5
US dollar	529.6	386.5	143.1	1,040.8	768.9	271.9
Brazilian real	35.9	-	35.9	29.4	-	29.4
Canadian dollar	2.8	-	2.8	19.8	9.9	9.9
Swedish krona	5.6	-	5.6	21.1	2.3	18.8
Singapore dollar	1.1	-	1.1	10.6	-	10.6
Hong Kong dollar	0.9	-	0.9	39.0	-	39.0
Danish krone	50.4	-	50.4	140.8	113.9	26.9
Japanese yen	7.9	-	7.9	79.6	11.8	67.8
Mexican peso	32.5	-	32.5	40.5	-	40.5
Polish zloty	36.6	-	36.6	39.5	-	39.5
South African rand	36.8	-	36.8	45.5	-	45.5
Swiss franc	8.9	-	8.9	56.4	5.2	51.2
Malaysian ringgit	36.3	-	36.3	34.1	-	34.1
Australian dollar	7.4	-	7.4	33.7	-	33.7
Other	141.6	-3.5	145.1	196.3	-6.7	203.0
Total	**1,130.0**	**516.5**	**613.5**	**2,092.6**	**1,040.3**	**1,052.3**

Underwriting risk

Underwriting risks arise from the possibility that insurance premiums and/or provisions will not be sufficient to meet future payment obligations. This can occur due to mis-selling, inadequate pricing or when claims differ from what was expected. To manage the underwriting risk, Delta Lloyd has a policy that is periodically tested, in order to ensure that the underwritten risks remain within accepted limits. Each business unit has a dedicated pricing team and a pricing board, that reflect on the pricing and underwriting.

Life Insurance

The main underwriting risks for life insurance are mortality risk, longevity risk, lapse risk and expense risk.

Delta Lloyd distinguishes between three risk factors within mortality risk: catastrophe risk, trend risk and portfolio-specific mortality risk. Within longevity risk, trend risk and portfolio-specific longevity risk are accounted for. Catastrophe and trend risks relate to national developments while the portfolio-specific mortality risk relates to variances in mortality between the national trend and Delta Lloyd's portfolio. The sensitivity analysis separately demonstrates the effects of a change in mortality assumptions.

Delta Lloyd manages longevity risk (the risk that people will live longer than expected) through hedging and detailed analysis, using mortality data within its portfolio as well as the latest external industry data and trends. Delta Lloyd uses this data to form adequate insurance liabilities. Expected future mortality improvements are incorporated in the pricing of products. In principle and when appropriate, Delta Lloyd uses the most recent mortality forecasts when valuing insurance liabilities, other than term life policies.

As from 31 December 2016, Delta Lloyd updated the mortality table to the AG2016 mortality prognosis, which is based on more up-to-date mortality figures than the previous AG2014 prognosis. One of the main strengths of the AG2016 mortality prognosis is that it is based on historic mortality figures in the Netherlands, but also takes into account the stable European mortality development trend. This makes it transparent, reproducible and suitable for the majority of the population relevant to Delta Lloyd. For the Belgian portfolio, the prognosis table as published by the Institute of Actuaries in Belgium is used, which is based on a similar model as the AG2016. For the impact on provisions related to the updated mortality table, see section 'Effect of changes in assumptions and estimates on provisions for insurance and investment contracts'.

In addition to the implementation of the AG2016 table, the mortality experience assumptions reflecting Delta Lloyds own portfolio were updated. Delta Lloyds mortality experience assumptions are based on extended historic information and are increasingly influenced by the effect of large buy-out contracts sold between 2008 and 2014. See section 'Effect of changes in assumptions and estimates on provisions for insurance and investment contracts' for the impact on provisions.

Delta Lloyd is setting aside additional longevity provisions for annuity and pension products on top of the premium principles. The additional longevity provisions for Delta Lloyd Levensverzekeringen were € 2,883.6 million on 31 December 2016 and € 2,240.7 million on 31 December 2015. The increase is mainly caused by lower interest rates, new mortality tables and mortality experience assumptions.

In August 2014 and June 2015 Delta Lloyd completed transactions with Reinsurance Group of America (RGA) to partially mitigate the longevity risk related to its Dutch life insurance portfolio by entering into a six-year and an eight-year longevity derivative, relating to underlying reserves of approximately € 12 billion each. These longevity derivatives will reduce the financial impact of policyholders living longer than currently expected during the term of the longevity derivative contract. In exchange for this protection a fixed premium is paid to RGA at contract maturity that is offset against any payments from RGA due under the longevity derivatives. As these hedges are under Solvency II classified as derivatives rather than reinsurance contracts, their risk mitigation effects are only visible in a reduced capital requirement and do no longer affect the risk margin.

Mortality risk (the risk that people will die sooner than expected) is also significant to Delta Lloyd's Life insurance business. As with longevity, insight into this risk is obtained by extensive analysis of mortality statistics. Although mortality and longevity risks are opposite risks, they cannot always be netted because of the different age structures and exposures in the portfolios concerned.

Mortality risk is managed by reinsurance and checks for accepting new business. The mortality risk reinsurance program is set annually. On 1 January 2016, a one-year stop-loss reinsurance contract was entered into by Delta Lloyd Levensverzekeringen, leading to additional capital relief for 2016. This stop-loss reinsurance contract was renewed for one year per 1 January 2017. The contract consists of two layers and an own retention for Delta Lloyd Levensverzerkingen, and has different counterparties (co-insurance). To manage mortality risk, Delta Lloyd's guidelines for term life business include mandatory medical examinations above set limits.

Lapse risk is the risk of loss or change in insurance liabilities due to a change in the expected exercise rate of policyholder options. It applies to the life insurance, general insurance and disability insurance operations of Delta Lloyd.

Delta Lloyd is exposed to considerable potential financial impact from changes in the value of its liabilities caused by lapse risk. Adverse changes in underlying risk drivers will affect Delta Lloyd's earnings and/or capital and therefore its ability to meet business objectives and in particular to ensure business continuity.

High lapse rates are regarded as an indicator that a product may not fulfil customer needs or may otherwise not comply with the expectations of customers. For this reason, lapse risk management also serves non-financial objectives in Delta Lloyd's strategy. In the situation of higher than expected lapse rates for a given product, over a prolonged period, a product review and further management actions may be taken to address the underlying reasons. This process is covered by the Product Management, Pricing and Underwriting policy. Also lower lapses than anticipated have to be taken into account.

Due to the low interest rate environment, most interest-guaranteed products are 'in the money'. For this type of products, is lapse risk the most important risk element.

Expense risk to life insurance mainly involves the risk of increasing costs for maintaining current policies. Delta Lloyd manages this risk through detailed budgeting, a dedicated cost reduction program and monitoring all costs using activity-based costing (ABC).

Life insurance contracts do not have a high concentration risk.

Each quarter, Delta Lloyd tests whether the insurance liabilities are adequate and is based on a liability adequacy test. The liabilities in this adequacy test are measured using best estimate assumptions plus a risk margin for uncertainty and should be at least equal to the balance sheet insurance liabilities. The internal actuarial function provides an opinion on the adequacy of the technical provisions. The internal actuarial function produces a written report which is submitted to the Executive Board on a quarterly basis. This report documents all tasks that have been undertaken by the actuarial function and their results, clearly identifying any deficiencies and gives recommendations as to how such deficiencies should be remedied. On 31 December 2016 compared to year-end 2015, the risk margin increased by € 123.8 million for IFRS. The increase of the IFRS risk margin is mainly due to the lower curve.

General Insurance

Risk management of the general insurance portfolios focuses on risk mitigation through strict acceptance policies, stringent claims-handling procedures and risk-based reinsurance contracts.

An acceptance policy is developed for each Delta Lloyd product line and is evaluated each year and revised if necessary. Regular random checks are carried out on the product lines to check whether underwriters are following the rules and regulations.

Delta Lloyd has customised reinsurance programmes for the various business units and risk groups. The exposure to the parent reinsurance companies of these reinsurance contracts (General Insurance, Life insurance and Delta Lloyd Life Belgium) are monitored in the Delta Lloyd Reinsurance Exposure List, to ensure that they remain below the concentration limits of Delta Lloyd's risk appetite.

Catastrophic events are a major risk to Delta Lloyd's general insurance business. The main natural catastrophe threatening the Netherlands is storms causing severe wind damage. Delta Lloyd's cumulative risk (maximum possible loss) resulting from natural disasters (particularly storms) is identified using postal codes. Delta Lloyd purchased a reinsurance contract offering protection against an one-in-200 year storm based on the RMS catastrophe model for both Delta Lloyd Schadeverzekeringen and ABN AMBRO Schadeverzekeringen. The catastrophe reinsurance contract for 2016 provides a cover of € 560.0 million above the retention limit of € 40.0 million, hence covering a storm loss up to € 600.0 million, compared with a cover of € 400.0 million above the retention limit of € 40.0 million for 2015.

For a second catastrophe the retention limit is lowered to € 20.0 million by means of a special reinsurance contract.

Delta Lloyd had a € 62.8 million pre-tax and pre-reinsurance impact on claims due to the exceptional hail storm in June 2016. This hail storm resulted in a triggering event for the catastrophe reinsurance program as the losses exceeded the retention limit of € 40 million and hence recoveries above this amount could be made.

Delta Lloyd's general insurance business also faces risks regarding the frequency and size of claims, unexpected claims, inaccurate pricing of the general insurance risks, inadequate reinsurance protection and concentration risk. To manage the risk of higher claim frequencies and higher-than-expected claims and a higher ratio of claims to premiums (claims ratio), Delta Lloyd monitors the probability of occurrence and the required economic capital per risk group.

In addition, reinsurance contracts per risk group are in place, covering Delta Lloyd against large one- off events such as fires. All these contracts cover both Dutch property and casualty entities within Delta Lloyd.

The Dutch Marine Insurance portfolio risk was transferred to a reinsurance company. The reinsurance company that took over the risk is specialised in runoff businesses. By setting up a trust the counterparty default risk of this transaction is minimised.

Delta Lloyd takes the 'premium rating cycle' characteristic of the general insurance industry into account when pricing general insurance policies. Favourable market results put downward pressure on premiums (due to a higher capital supply) and this leads to weaker financial performance, necessitating an increase in premiums. Delta Lloyd has product teams and specific knowledge centres to manage this risk and the correct timing of premium pricing or adjustments. To value insurance liabilities for the general insurances, Delta Lloyd calculates best estimates based on standard actuarial projection techniques. Delta Lloyd therefore uses past claims to project future claims development. This involves the risk that the insurance liabilities may prove to be inadequate.

The adequacy of claim liabilities is therefore tested each quarter, with the internal Actuarial Function providing an opinion on the adequacy of the technical provisions. IFRS (liability adequacy test) requires the overall technical provisions to be adequate at the legal entity level. Delta Lloyd has internal requirements of adequacy on the segment level of property and casualty as well as disability insurance.

Based on negative run-off results, further analyses were performed leading to an increase in case reserves regarding technical insurance.

Liquidity Risk

Delta Lloyd has a strong liquidity position, and therefore liquidity risk at group level is deemed to be limited. Active cash management within Treasury ensures Delta Lloyd has sufficient liquidity to meet its liabilities when these fall due. Within Delta Lloyd, the banking operations face the highest liquidity risk. This is the risk that liquid assets are insufficient to meet potential short-term obligations. The banking activities have a separate liquidity policy in place to mitigate this risk. The liquidity risk is closely monitored by risk management functions and asset liability committees within the banking business.

In 2016, 2015 and 2014, Delta Lloyd regularly used its Commercial Paper Programme, set up in 2010, to meet part of its short-term financing requirement. The maximum total financing available under this programme is € 1.5 billion. Delta Lloyd also has substantial committed and uncommitted credit facilities in place with several reputable financial institutions.

Delta Lloyd's insurance operations face a limited liquidity risk: there are sufficient liquid investments and inflows of new premiums compared to a stable outflow of payments. Delta Lloyd has defined a target liquidity coverage ratio (LCR) of 105% for the insurance entities. The LCR largely meets the target, i.e. the ratios show that in case of a stress situation (e.g. mass lapse, catastrophe), Delta Lloyd will have a sufficient liquid stock of assets.

Delta Lloyd's banking business requires liquidity mainly to fund residential mortgages and retail lending. Residential mortgages are also funded from alternative sources, such as savings, premium deposits, intercompany loans and assignments, traditional bank financing and repurchase agreement transactions. In 2016, there is a decrease of € 15.3 millionof funding obtained through bank annuities, compared with an increase € 23.0 million in 2015. If necessary, Delta Lloyd can partially limit its funding needs by increasing the margins on mortgage loans, thereby limiting new mortgage lending.

The tables below provide details on the contractual maturity of the assets on the statement of financial position of Delta Lloyd. The amounts reported are Delta Lloyd's own risk. The derivatives are presented in a separate table. The receivables and other financial assets are not included in the statement as they are held for the short term. See section 'Receivables and other financial assets' for further information on receivables and other financial assets included in the 2016 Financial Statements incorporated by reference herein.

Contract maturity date of assets at year-end

In millions of euros	Within one year	Between one and three years	Between three and five years	More than five years	Not stated	Total 2016
Goodwill	-	-	-	-	269.2	269.2
AVIF and other intangible assets	-	-	-	-	74.9	74.9
Deferred acquisition costs	-	-	-	-	103.1	103.1
Property and equipment	-	-	-	-	53.1	53.1
Investment property	-	-	-	-	1,173.6	1,173.6
Associates and joint ventures	-	-	-	-	36.1	36.1
Debt securities	598.6	1,335.3	2,120.3	25,367.7	113.3	29,535.2
Equity securities	-	-	-	-	1,123.9	1,123.9
Loans and receivables	371.7	385.1	635.0	15,719.5	2,040.0	19,151.3
Reinsurance assets	94.3	93.6	54.2	296.6	-	538.7
Accrued interest and prepayments	549.7	13.2	-	-	-	562.8
Cash and cash equivalents	3,810.9	-	-	-	-	3,810.9
Assets held for sale	-	-	-	-	-	-
Total	**5,425.1**	**1,827.2**	**2,809.5**	**41,383.9**	**4,987.2**	**56,432.9**

Contract maturity date of assets at prior year-end

In millions of euros	Within one year	Between one and three years	Between three and five years	More than five years	Not stated	Total 2015
Goodwill	-	-	-	-	269.2	269.2
AVIF and other intangible assets	-	-	-	-	90.9	90.9
Deferred acquisition costs	-	-	-	-	109.9	109.9
Property and equipment	-	-	-	-	55.1	55.1
Investment property	-	-	-	-	1,052.2	1,052.2
Associates and joint ventures	-	-	-	-	278.9	278.9
Debt securities	688.9	1,134.3	1,914.8	24,487.6	116.4	28,342.1
Equity securities	-	-	-	-	2,169.3	2,169.3
Loans and receivables	44.4	262.6	374.6	14,826.3	404.9	15,912.7
Reinsurance assets	102.3	91.9	61.4	306.4	-	562.0
Accrued interest and prepayments	524.0	15.0	-	-	-	539.0
Cash and cash equivalents	2,503.4	-	-	-	-	2,503.4
Assets held for sale	29.2	-	-	-	-	29.2
Total	**3,892.3**	**1,503.9**	**2,350.8**	**39,620.3**	**4,546.8**	**51,914.0**

The tables below present the maturity analysis for derivatives. The amounts reported are held at Delta Lloyd's own risk and at the risk of policyholders. All positive cash flows are added up and broken down by maturity, and all negative cash flows are added up and broken down by maturity. Neither the positive nor the negative cash flows are discounted, so they cannot be reconciled with the statement of financial position.

Maturity analysis of derivatives at year-end

In millions of euros	Within one year	Between one and three years	Between three and five years	More than five years	Total 2016
Negative cash flow	1,181.8	136.5	140.3	4,340.7	5,799.4
Positive cash flow	1,507.7	244.9	355.3	5,747.5	7,855.4

Maturity analysis of derivatives at prior year-end

In millions of euros	Within one year	Between one and three years	Between three and five years	More than five years	Total 2015
Negative cash flow	1,519.6	158.9	199.0	5,264.2	7,141.6
Positive cash flow	1,667.5	491.8	350.1	5,837.7	8,347.1

The tables below provide information on the contract maturity dates of the insurance contracts. The amounts are discounted cash flows.

Contract maturity date of insurance contract liabilities at year-end

In millions of euros	Within one year	Between one and five years	Between five and fifteen years	More than fifteen years	Total 2016
Non-unit-linked	1,387.1	5,310.6	12,858.7	15,281.3	34,837.6
Unit-linked	681.0	2,251.5	4,429.1	3,599.7	10,961.3
Total life insurance contract liabilities	2,068.0	7,562.1	17,287.8	18,881.0	45,798.9
General insurance liabilities	617.3	863.2	515.4	121.0	2,116.9
Total	**2,685.3**	**8,425.3**	**17,803.2**	**19,002.0**	**47,915.8**

Contract maturity date of insurance contract liabilities at prior year-end

In millions of euros	Within one year	Between one and five years	Between five and fifteen years	More than fifteen years	Total 2015
Non-unit-linked	1,481.5	5,307.9	11,752.4	12,596.8	31,138.6
Unit-linked	799.7	2,710.0	4,859.9	4,241.3	12,611.0
Total life insurance contract liabilities	2,281.3	8,017.9	16,612.3	16,838.1	43,749.6
General insurance liabilities	625.6	807.6	512.7	94.3	2,040.3
Total	**2,906.9**	**8,825.6**	**17,125.0**	**16,932.5**	**45,789.9**

The tables below provide details on the contract maturity dates of investment contracts. The amounts shown are undiscounted cash flows and therefore cannot be reconciled with the statement of financial position. There is an increase of € 360.6 million for the year ended 31 December 2016.

Contract maturity date of investment contracts at year-end

In millions of euros	Within one year	Between one and five years	Between five and fifteen years	More than fifteen years	Total 2016
Non-unit-linked	222.7	829.4	2,669.5	2,342.7	6,064.3
Unit-linked	31.3	283.6	785.4	1,209.7	2,310.0
Total life investment contract liabilities	**254.0**	**1,113.0**	**3,454.9**	**3,552.4**	**8,374.3**

Contract maturity date of investment contracts at prior year-end

In millions of euros	Within one year	Between one and five years	Between five and fifteen years	More than fifteen years	Total 2015
Non-unit-linked	168.1	882.6	2,592.4	2,532.7	6,175.8
Unit-linked	21.5	237.7	619.8	958.9	1,837.9
Total life investment contract liabilities	**189.6**	**1,120.3**	**3,212.2**	**3,491.6**	**8,013.7**

The tables below provide details on the contractual maturities of borrowings. The amounts reported may differ from those in the consolidated statement of financial position, which are based on undiscounted cash flows. Items that do not generate cash flow are discounting, amortisation of expenses, value changes in derivatives, own risk surcharges and the like. In addition, undiscounted future interest payments are reported in a separate line and allocated to the relevant maturity category.

Interest payments on loans and loan terms are recognised until the contract end date.

Contract maturity date of borrowings at year-end

In millions of euros	within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	More than five years	Total 2016
Subordinated debt	-	-	-	-	-	1,650.8	1,650.8
Securitised mortgage loan notes	-	-	-	-	-	2,010.3	2,010.3
Medium-term note	575.0	-	-	-	-	-	575.0
Commercial paper	40.0	-	-	-	-	-	40.0
Convertible loan	-	-	-	-	-	2.0	2.0
Total borrowings	615.0	-	-	-	-	3,663.1	4,278.1
Future interest payments	122.5	98.0	98.0	98.0	98.0	4,600.2	5,114.9
Total borrowings including future interest payments	**737.5**	**98.0**	**98.0**	**98.0**	**98.0**	**8,263.3**	**9,393.0**

Contract maturity date of borrowings at prior year-end

In millions of euros	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	More than five years	Total 2015
Subordinated debt	-	-	-	-	-	1,650.8	1,650.8
Securitised mortgage loan notes	-	-	-	-	-	2,218.9	2,218.9
Medium-term note	-	575.0	-	-	-	-	575.0
Commercial paper	164.9	-	-	-	-	-	164.9
Convertible loan	-	-	-	-	-	2.0	2.0
Total borrowings	164.9	575.0	-	-	-	3,871.7	4,611.5
Future interest payments	133.2	133.0	108.5	108.5	108.5	4,949.2	5,541.0
Total borrowings including future interest payments	**298.1**	**708.0**	**108.5**	**108.5**	**108.5**	**8,820.9**	**10,152.6**

Sensitivity analysis

Due to the nature of Delta Lloyd's business, a number of assumptions are made in compiling the financial statements. These include assumptions concerning mortality rates and expenses in connection with in-force business. The investment return also affects the results. The sensitivity of the result and shareholders' funds to changes in assumptions is set out below.

For each sensitivity factor, all other assumptions have been left unchanged. This is unlikely to occur in practice and changes in some of the assumptions may be correlated, for instance a change in interest rate with a change in equity prices.

The sensitivities can be described as follows:

Sensitivity factor	
Factor	*Description of sensitivity factor*
Credit spreads	The effect of a 50 bps change in credit spread (applicable to sovereign, sub-sovereign and collateralised bonds with a rating below AAA, corporate bonds, FV loans).
Interest rates	The effect of a 25 bps increase or decrease across the yield curve taking the UFR methodology into account (UFR is not changed).
Equity values	The effect of a change of 10% in equity value (applicable to ordinary shares, 5% participations, investment funds and derivatives), taking into account a beta factor of 100% (2015: 84%).
Property values	The effect of a change of 10% in property value (applicable to offices, residential, retail and other property).
Funding spreads	The effect of a 50 bps change in funding spread (applicable in the valuation of FV mortgages with and without a NHG guarantee and mortgage funding).
Expenses	The effect of a 10% increase in expense assumptions
Mortality and disability risk in life insurance	The effect of an increase of 5% in mortality and disability risk probabilities.
Longevity risk	The effect of a reduction of 5% in mortality probabilities.
Claims ratio	The effect of an increase of 5% in the claims ratio.
Additional interest sensitivities on the IFRS discount curve	The effect of a Last Liquid Point (LLP) of 30 years.
Additional interest sensitivities on the IFRS discount curve	The effect of a UFR of 3.7% (3.2% for prior year-end)
Additional interest sensitivities on the IFRS discount curve	The effect of a 23 bps increase or decrease in the VA.

The effects of these sensitivity factors, which are determined using actuarial and statistical models, are shown in the tables below. For life insurance, the sensitivities are only disclosed gross of reinsurance as the reinsured portion does not lead to a material change in value. For general insurance, the sensitivities are shown both gross and net of reinsurance. The sensitivity analysis of level 3 measurements in the fair value hierarchy (measurement method not based on significant observable market inputs) is presented in section 'Fair value of assets and liabilities'. The sensitivity analysis of pensions is presented in section 'Pension obligations'.

The tables below show the impact of the main market risks for Delta Lloyd on results and shareholders' funds. The IFRS sensitivities are based on Delta Lloyd accounting policies and are shown after tax. The interest rate sensitivities take into account the UFR methodology and are calculated using a fixed UFR (UFR is only changed in the specific UFR and LLP scenarios on the IFRS discount curve).

Sensitivity analysis of investments of Life insurance business

In millions of euros	Impact on result at year-end	Impact on shareholders' funds at year-end	Impact on result at prior year-end	Impact on shareholders' funds at prior year-end
Credit spreads +50 bps	-719.7	-719.7	-588.4	-588.4
Credit spreads -50 bps	788.0	788.0	643.4	643.4
Interest rates +25 bps	-954.2	-954.2	-829.1	-829.1
Interest rates -25 bps	1,007.7	1,007.7	877.4	877.4
Equity values +10%	-27.4	-8.0	-7.6	55.9
Equity values -10%	28.1	8.7	11.1	-52.4
Property values +10%	104.7	104.7	99.5	99.5
Property values -10%	-104.7	-104.7	-99.5	-99.5

Sensitivity analysis of liabilities of Life insurance business

In millions of euros	Impact on result at year-end	Impact on shareholders' funds at year-end	Impact on result at prior year-end	Impact on shareholders' funds at prior year-end
Credit spreads +50 bps	-	-	-	-
Credit spreads -50 bps	-	-	-	-
Interest rates +25 bps	892.2	892.2	798.9	798.9
Interest rates -25ps	-945.1	-945.1	-836.6	-836.6
Equity values +10%	47.1	47.1	40.3	40.3
Equity values -10%	-53.3	-53.3	-46.9	-46.9
Property values +10%	-	-	-	-
Property values -10%	-	-	-	-
Mortality rates -5%	-275.1	-275.1	-218.0	-218.0
Expense risk +10%	-29.5	-29.5	-30.1	-30.1
Mortality rates +5%	258.0	258.0	203.5	203.5
IFRS discount curve with LLP 30 yr (15 years for prior year-ends)	-1,008.0	-1,008.0	501.6	501.6
IFRS discount curve with UFR 3.7 % (3.2% for prior year-end)	-247.6	-247.6	-304.4	-304.4
VA + 23 bps	804.4	804.4	-	-
VA - 23 bps	-853.2	-853.2	-	-

Sensitivity analysis of General Insurance, gross of reinsurance

In millions of euros	Impact on result at year end	Impact on shareholders' funds at year end	Impact on result at prior year end	Impact on shareholders' funds at prior year end
Credit spreads +50 bps	-9.6	-27.4	-11.0	-25.4
Credit spreads -50 bps	10.0	28.8	11.5	26.7
Interest rates +25 bps	1.6	-11.6	1.5	-8.3
Interest rates -25 bps	-0.4	13.3	-1.0	9.1
Equity values +10%	0.2	7.5	0.3	18.5
Equity values -10%	-0.2	-7.5	-0.6	-18.0
Property values +10%	-	-	-	0.3
Property values -10%	-	-	-	-0.3
Expense risk +10%	-25.1	-5.5	-23.2	-5.4
Claims ratio +5%	-39.0	-39.0	-32.2	-32.2

Sensitivity analysis of General Insurance, net of reinsurance

In millions of euros	Impact on result at year-end	Impact on shareholders' funds at year-end	Impact on result at prior year-end	Impact on shareholders' funds at prior year-end
Credit spreads +50 bps	-9.6	-27.4	-11.0	-25.4
Credit spreads-50 bps	10.0	28.8	11.5	26.7
Interest rates +25 bps	1.6	-11.6	1.5	-8.3
Interest rates -25 bps	-0.4	13.3	-1.0	9.1
Equity values +10%	0.2	7.5	0.3	18.5
Equity values -10%	-0.2	-7.5	-0.6	-18.0
Property values +10%	-	-	-	0.3
Property values -10%	-	-	-	-0.3
Expense risk +10%	-25.1	-5.5	-23.2	-5.4
Claims ratio +5%	-36.1	-36.1	-29.8	-29.8

Sensitivity analysis of Bank and other

In millions of euros	Impact on result at year-end	Impact on shareholders' funds at year-end	Impact on result at prior year-end	Impact on shareholders' funds at prior year-end
Credit spreads +50 bps	-	-2.9	-	-1.7
Credit spreads -50 bps	-	2.9	-	1.7
Interest rates+25 bps	-36.0	-37.5	-25.6	-27.0
Interest rates -25 bps	36.8	38.4	26.2	27.6
Equity values +10%	-	-	-	8.1
Equity values -10%	-	-0.4	-	-8.1
Funding spreads +50 bps	-76.8	-76.8	-26.8	-26.8
Funding spreads -50 bps	76.8	76.8	26.8	26.8

Credit spread risk

Credit risk increased in 2016 mainly due to increased exposure to credit risk. This is mainly caused by higher exposure to sovereign bonds with a rating below AAA at the cost of AAA sovereign bond exposure. Credit spread sensitivities do not contain spread sensitivity to mortgages and mortgage funding. The sensitivity in the funding spread of mortgages is reported separately.

Interest rate risk

Under IFRS, insurance liabilities are measured using the IFRS discount curve as of 30 June 2016. The sensitivities are calculated using a fixed UFR. Interest rate sensitivity is based on a 0.25% increase or decrease in interest rates.

At group level the sensitivity to both investments and liabilities increased due to the decreased interest rates in 2016. The sensitivities mainly increased for (sub) Sovereigns not AAA bonds and interest rate derivates due to increased exposure.

Equity risk

Since equity derivatives are valued at fair value with movement through profit and loss while other equity classes are not, there is a difference in the impact of equity risk on the results and on the shareholders' funds. Both up and down equity sensitivities in equity markets increased compared to year-end 2015, mainly due to change of the beta factor (see below). The significant reduction in private equity does not impact sensitivities as those investments are not included in sensitivity analysis under IFRS. In determining the equity sensitivities, Delta Lloyd used to (up until HY2016) take into account the relation between its equity risk profile and general market equity risk. Delta Lloyd no longer makes this adjustment, therefore the beta factor is now set to 100% at year-end 2016 compared to 84% at year-end 2015.

Property risk

Sensitivity to a fall in property markets increased in 2016 compared to 2015 due to an increased exposure at Delta Lloyd Levensverzekeringen.

Funding spread risk

Sensitivity to mortgages and mortgage funding is reported separately under the funding spread sensitivity. A top-down benchmark approach is used to determine the funding spread sensitivity. The assumption is made that the top-down benchmark changes with 50 bps. Mortgages with a national mortgage guarantee (NHG) are no longer excluded when determining the funding spread sensitivity. In addition, Delta Lloyd uses mortgages as matching assets for long-term insurance liabilities. In this respect Delta Lloyd primarily faces default risk on its mortgage portfolio. The +50 bps sensitivity on result and shareholders' funds increased to € -76.8 per year-end 2016 mainly because the mortgages with a national mortgage guarantee (NHG) are also included in the sensitivity.

Insurance risks

In addition to the impact of the main market risks on shareholders' funds, the sensitivity to a number of insurance risks is also presented. The expense risk remained fairly stable while claims ratio risk increased compared to year-end 2015, changes are seen due to development in the insurance portfolio. The longevity risk and mortality risk sensitivities increased due to adverse longevity developments.

UFR and VA risk

As of 30 June 2016 the technical provision is determined using the new IFRS discount curve. For this reason additional sensitivities are presented in the sensitivity table, namely the impact on result and shareholders' funds by different UFR and VA levels in the IFRS discount curve. The IFRS discount curve is only used for the valuation of the liabilities; therefore these sensitivities only impact the liabilities. The VA sensitivities are slightly lower compared to the interest sensitivities, which matches expectations. Delta Lloyd chooses to disclose the sensitivity of 3.7% instead of 3.2% to better align the IFRS and SII sensitivities. The difference between the 3.7%-UFR sensitivity and the 3.2%-UFR sensitivity is not as large as expected had other conditions remained the same, mainly due to the lower curve and hence larger impact of the UFR on the provisions.

Limitations of sensitivity analysis

The sensitivity tables demonstrate the effect of a change in one of the key assumptions while other assumptions remain unchanged. In reality, such an occurrence is very unlikely due to correlation between the factors. Furthermore, these sensitivities are non-linear, and larger or smaller impacts cannot easily be derived from the results. The sensitivity analysis does not take into consideration that Delta Lloyd's assets and liabilities are actively managed and may vary at the time that any actual market movement occurs. The financial risk management strategy aims to actively manage the exposure to market fluctuations. Techniques used include selling investments, changing investment portfolio allocation and using derivative financial instruments. Another limitation in the sensitivity analysis is that the hypothetical market movements represent Delta Lloyd's view on reasonably possible near-term market changes, which cannot be predicted with any certainty. A final limitation is the assumption that all interest rates move in an identical direction (with exception of convergence to the UFR) while this may not be the case in practice.

Strategic Risk

Scenario thinking

When Delta Lloyd devises its strategy it takes into account scenarios outlining possible directions for the business in the future. The scenarios analyse social, economic and market trends that are not under Delta Lloyd's direct influence and how these could shape the business environment in 15 to 20 years' time. Based on this, Delta Lloyd can make strategic decisions that allow it to act upon opportunities and mitigate uncertainties and risks.

Delta Lloyd has used scenarios since 2004 to guide its strategy. Scenario thinking is embedded in its management and control processes. It determines the choices made and the areas Delta Lloyd focuses on when it plans its business activities. Delta Lloyd's updated 'Closer to the customer' strategy builds on its mission statement and consists of key success factors supported by enablers for success. The strategy is being translated into tactical and operational plans for 2016 through 2018. Delta Lloyd recently announced a broad plan of management actions and capital measures, along with Strategy 2020: Closer to the customer, designed to ensure Delta Lloyd is strongly positioned in the new Solvency II era, which has been, effective since 1 January 2016. Delta Lloyd's plans are also intended to manage capital adequacy and the sensitivity of results to market movements and to improve its operating and financial performance

Own risk and solvency assessments (ORSA)

Delta Lloyd uses scenarios to assess whether inherent risks, effectiveness of controls and an assessment of the probability and consequences of residual risks are covered. The risk management cycle includes quarterly risk updates, which are done by the management of each of Delta Lloyd's business units and annually ORSA are conducted, which are also a requirement for Solvency II. The update is a bottom-up process, which reflects risks at team, business unit and group level. Based on the identified risks, a Top 10 risk map is drawn up and actions are defined to mitigate these risks. ORSA is a more forward-looking risk management exercise to oversee and manage the effects of risk scenarios over a longer period and is incorporated in Delta Lloyd's planning process.

Corporate competences

To achieve its strategic goals, Delta Lloyd must have the right competences in the organisation. Delta Lloyd excels in areas such as multi-channel distribution, risk management, efficiency, and anticipating regulatory and market changes that could influence its business, such as the growing demand for defined-contribution products.

Areas where Delta Lloyd needs to develop or improve competences include customer focus, further simplifying Delta Lloyd's relatively complex IT systems and risk-based pricing—analysing specific risks and pricing products accordingly, rather than applying a generic price. Many of these competences are IT-related—digitalisation, effectively mining big data and migrating more products and services online.

To strengthen Delta Lloyd's market position and optimise business mix, customer centricity, improving efficiency, risk/return and capital management will be prioritised.

Operational and Compliance Risk

Delta Lloyd recognises the risk of simultaneously implementing several major change processes, such as sharing services through chain integration and profit improvement programmes, since each of these initiatives requires careful monitoring and control. The Business Development department is responsible for central coordination of the inception, management and implementation of change processes.

Delta Lloyd records and analyses operational losses in the business units and keeps a central register of losses exceeding € 10,000. Scenarios based in part on possible operational losses are computed for impact and probability. This supports current and future risk analysis and controls, which are in place or will be implemented. Delta Lloyd is a member of ORIC International, an independent 'loss data' consortium set up by the Association of British Insurance Companies to provide and benchmark operational loss data for internal Solvency II modelling and operational risk management.

Delta Lloyd's Risk Board consists of the managers of the risk departments from the divisions and discusses and advises on operational risks. These include the consequences of IT risks on operations, outsourcing, fraud and crime, business protection and human resources.

IT and infrastructure

Delta Lloyd ensures that its IT systems are appropriately structured and utilised to achieve its strategic and operational goals, look after its customers' interests and meet statutory and regulatory requirements. To maintain this situation, Delta Lloyd has an effective IT risk management and control system in place. The IT risk manager monitors development of internal- and external IT risks, supervises compliance with our IT risk appetite and reports ultimately to the ICT Board. The ICT Board is Delta Lloyds steering- and risk committee on IT matters. It comprises managing business directors, two members of the Executive Board and Delta Lloyd's Chief Information Officer. The ICT Board regularly discusses issues reported internally and externally.

Sourcing, outsourcing and supplier management

Delta Lloyd has effective control over sourcing, outsourcing and supplier & contract management. Specific compliance clauses, for example security, business continuity, right to audit and supervisory access or annual independent assurance, are added to high risk contracts. In 2016 all material cloud applications were examined to the standard DNB risk model and measures were taken as necessary. Delta Lloyd currently performs a risk assessment before a new cloud computing application is allowed into operation. As Delta Lloyd is exposed to supplier risk, controls are in place to review risk and performance of suppliers. This is primarily aimed at detecting and preventing vendor lock-in in business processes, but also as performance review of supplied goods of services relating to cost and quality. Delta Lloyd procurement puts special care into contract in which customer data is involved and in cooperation with the CDO ensures good business practises regarding customer data.

Business continuity management

Delta Lloyd aims to deliver secure and reliable services. To ensure adequate response to unusual events, Delta Lloyd regularly tests its incident and crisis management procedures. Contingency and continuity plans have been prepared for all critical business operations and applications.

During 2016, the Business Continuity program invested in a supporting application and continued risk management, crisis management training and exercising, as well as IT continuity testing. The basis for continuity measures continue to be the expectations of our customers

Information security

Information security ensures the delivery of secure and reliable services to Delta Lloyd's customers. Delta Lloyd follows a risk management cycle to ensure a continuous appropriate level of information security.

In 2016, Delta Lloyd established an information security strategy and conducted assessments to measurethe information security maturity level and security awareness. The security of the online presence has been further strengthened including the implementation of a responsible disclosure policy and we tested our cyber security capabilities.

Human resources

Recruiting, developing and retaining qualified staff is vital to Delta Lloyd's business. Trainee programs have been developed to attract young talent, and Delta Lloyd is strengthening the leadership abilities of its management through a customised leadership program. Employees' professional and personal development is appraised annually by management and facilitated by using performance-based management, including development programs and professional courses. This enhances the retention of qualified staff and preserves vital knowledge and expertise for Delta Lloyd.

The Human Resources Board (HR Board) is the risk committee on human resource matters. It comprises of managing directors, two members of the Executive Board (one of which is the chairman) and the HR Director. The HR Board regularly discusses human resources policies, projects and risk issues are regularly discussed by the HR Board.

Fraud and crime

Fraud and other criminal activities result in operational losses. Group Compliance & Integrity has defined fraud prevention measures. In addition, controls to minimise fraud risks were implemented in the context of Solvency II. Delta Lloyd has taken out 'crime insurance' for major claims (over € 5 million) resulting from fraud. The Integrity Office of Group Compliance & Integrity prevents and protects against fraud by raising employees' awareness of fraud, by giving advice and performing fraud risks analyses, by performing data-analyses on fraud and fraud risk (by using analytical fraud detection software), so that attempts at fraud are identified as quickly as possible and an honest portfolio is achieved. Jointly with internal and external disciplines, an intervention program is being developed with a view to frustrating criminal insurance process of criminal trends and phenomena. If losses are caused by fraud or other criminal activities, Group Integrity investigates them and aims to recover the loss and the cost of the investigation from the perpetrator.

Compliance risk

The Compliance Function is responsible for ensuring good governance within the organisation regarding the management of compliance themes and compliance risks and is responsible for enabling management to adhere to regulations and internal codes of conduct in a pragmatic way.

The internal control system of the organisation, as embedded in policies and procedures, ensures the adherence to relevant laws and regulations. Delta Lloyd has a process in place which ensures the monitoring of changes in laws and regulation, the monitoring of changes in business objectives, strategy and business model and the monitoring of changes of reporting lines and reports regarding financial and non- financial risks. Any findings in these monitoring activities need to be addressed in an assessment of the effectiveness and applicability of the internal control system and whether adjustments are needed. By correctly interpreting and translating relevant legislation and regulations, industry codes and codes of conduct into policy, Delta Lloyd can avoid inappropriate behavior and manage inherent reputation risk and financial risks.

Regulatory Office

Regulation of the financial markets has increased significantly in recent years, partly influenced by the involvement of European regulators. The supervising authorities have strengthened their supervision of financial institutions as well. The Regulatory Office guides internal and external contacts with the regulatory authorities, is a first contact point for regulators and holds the organisation wide overview of regulatory activities. The Regulatory Office is part of the division Group Compliance & Integrity.

Customer centricity

Customer centricity is a key element of Delta Lloyd's strategy. A specific program was set up in 2012 to ensure that focus on the customer's interest is a key priority. This program is in 2015 converted to a staff department to ensure customer centricity in the organisation.

Financial reporting risks

Delta Lloyd manages its financial reporting risks through an internal control framework and external audit. Financial reporting within Delta Lloyd is the outcome of a structured process carried out by various divisions, directed and supervised by Delta Lloyd's financial management. The Executive Board is responsible for designing, maintaining and monitoring the controls for financial reporting.

(2) Capital management

The capital structure of Delta Lloyd is managed on the basis of the economic risks and the statement of financial position as well as on the regulatory requirements for insurers (Solvency II) and banks (Basel III). Minimum capital requirements are set for each individual entity based on different economic and operating scenarios. Total capital employed is allocated in a way that meets the required minimum and maximises the expected returns while the operational result on issued capital is higher than the cost of capital.

In managing its capital, Delta Lloyd seeks to:

- Match the profile of its assets and liabilities, taking account of the risks inherent in each division, in such a way that the vast majority of capital is held in fixed-income securities;
- Maintain financial strength to support new business and satisfy the requirements of policyholders, management, regulators and rating agencies at all times;
- Retain financial flexibility by maintaining strong liquidity by means of a cash buffer at holding level, including substantial unutilised credit lines, and access to a range of capital markets; and
- Allocate capital efficiently to support growth.

An important aspect of Delta Lloyd's capital management process is setting net capital generation targets for the individual divisions. Net capital generation is the Solvency II surplus movement excluding economic variances and non-operating items. These targets are aligned to performance objectives and ensure Delta Lloyd remains fully focused on creating value for its shareholders. Delta Lloyd has access to a number of sources of capital.

Solvency II

As of 1 January 2016, Delta Lloyd reports its capital position under the new Solvency II regulatory framework for insurance companies operating in the EU replacing the former Solvency I framework. Solvency II categorises own funds into three tiers (Tier 1, Tier 2 and Tier 3 capital) reflecting permanence and the ability to absorb losses, resulting in eligible own funds (i.e. available own funds minus non-eligible own funds, since eligible amounts of restricted Tier 1, Tier 2 and Tier 3 capital are subject to quantitative limits). The solvency of an insurance company under Solvency II is assessed by Delta Lloyd by means of the ratio between eligible own funds and the SCR.

In the table below group solvency ratio is presented based on the Solvency II framework for both year-end 2016 and year-end 2015[1]. Total available own funds increased by € 444.0 million[2] compared to 2015 mainly as a result of the rights issue and management actions.

Solvency II - Standard Formula

(in millions of euros)	FY 2016	FY 2015
Available Own funds	4,483	4,039
Non eligible Own funds	481	118
Eligible Own funds	4,002	3,920
Required Economic Capital	2,806	3,001
Surplus/Deficit	1,197	919
SF ratio	**143%**	**131%**

* The SII ratio per year-end 2015 was not audited by the external auditor. No Solvency I comparative information is added for 2015 since it is not comparable to Solvency II, nevertheless Delta Lloyd complied with the Solvency I requirements at year-end 2015.

Capital requirements

To provide strong assurance to shareholders and policyholders that Delta Lloyd can meet their demands, management has defined a Solvency II target range at group level of 140-180%. Delta Lloyd tests the total capital employed and the required capital levels on a regular basis and takes actions if necessary. During the year, Delta Lloyd complied with the regulatory requirements, both on a consolidated basis and at the level of regulated entities.

The table below shows the solvency ratio (Solvency II) under the regulatory requirements for insurance and all non-banking activities. The capital relating to the banking activities is assessed based on the transitional Basel III system, CRD IV phase in.

Solvency ratio at year-end

	2016	2015*
SF ratio	143%	131%
Bank NL - Total capital ratio	17.4%	15.5%

* The SII ratio per year-end 2015 was not audited by the external auditor.

Delta Lloyd successfully executed its capital plan, the cash position is substantially improved and Delta Lloyd is well on track for the implementation of the Partial Internal Model (PIM). On the other hand the capital position was negatively impacted by adverse market movements, adverse longevity development and DNB guidance on LAC DT to the industry. The treatment of LAC DT included in the SF ratio is still subject to final interpretations of Solvency II regulations. Delta Lloyd does not expect that these interpretations will have a material impact on the SF ratio as at 31 December 2016 reported in this note. Furthermore, inherent to the nature of the estimation process, there are uncertainties related to the valuation of the contingent liabilities as the actual outcomes may differ from those estimated for SF ratio.

1 The SII ratio per year-end 2015 was not audited by the external auditor, and therefore this movement was not audited.
2 The SII ratio per year-end 2015 was not audited by the external auditor, and therefore this movement was not audited.

Over the year, the SF solvency ratio increased by 12pp[1] to 143% reflecting the € 650 million rights issue (+27pp), management actions including the sale of our shareholding in Van Lanschot (+19pp) and net capital generation after exceptional weather (+8pp[2]). These positive effects were partly offset by methodology and assumption changes, particularly mortality (-15pp), the change in LAC-DT (-8pp), market and other movements (-12pp[3]), the run-off transitional (-6pp) and interim dividend (-2pp). LAC DT refers to the level of contingent deferred tax arising in the case of a 1-in-200 years stress event.

(3) Segment information

Reports to the Executive Board of Delta Lloyd are based on both operations and divisions. Delta Lloyd bases its operating segments on the nature of the products and services provided, i.e. the nature of the operations. This choice was made as operations take a more prominent role in the decision-making and management process for allocating resources and measuring and evaluating financial performance. The following operating segments were identified: Life Insurance, General Insurance, Bank, Asset Management and Corporate and other activities. All transactions between the segments are at arm's length. Although the segment information for the Executive Board is based on the IFRS figures, as shown in the financial statements, there are some exceptions, which are explained below in 'basis of accounting'.

Operating segments

Life
The Life business comprises life insurance, savings, pensions and annuity business written by the life insurance subsidiaries, including managed pension fund business and the share of the other life and related business written by associates. Premium and investment income are the main sources of revenues for this operating segment.

General
The general insurance business provides insurance coverage to individuals and businesses for risks associated with motor vehicles, property, disability and liability, such as employers' liability and professional indemnity liability. Premium and investment income are the main sources of revenues for this operating segment.

Bank
Delta Lloyd Bank has retail banking and mortgage activities in the Netherlands and until July 2015 in Belgium. The main sources of revenue for this operating segment are interest income and fees.

Asset Management
The asset management business invests at Delta Lloyd's own risk and at the risk of policyholders, provides investment management services to institutional pension fund mandates and manages a range of retail investment products, including investment funds.

1 The SII ratio per year-end 2015 was not audited by the external auditor, and therefore this movement was not audited.
2 The SII ratio per year-end 2015 was not audited by the external auditor, and therefore this movement was not audited.
3 The SII ratio per year-end 2015 was not audited by the external auditor, and therefore this movement was not audited.

Corporate and Other Activities
Any business activities that are not reportable segments are reflected in this category. It includes Delta Lloyd's mortgage business, which is unrelated to the Life and Bank segments. The mortgages shown in the Life segment are part of the investment portfolios of life insurance companies. Health label and treasury activities are also included in the Corporate and Other Activities segment. Overheads, such as the financing of Delta Lloyd, expenses incurred by corporate staff departments and other activities not related to the core segments, are also classified as 'Corporate and Other Activities'. The Eliminations column relates to intercompany eliminations between operating segments and eliminations for group purposes.

Basis of accounting

Segment performance is evaluated using a profit or loss measure, which is measured differently in certain respects from the profit or loss in the consolidated financial statements. The Executive Board assesses the performance of the operational segments using operational result after tax and non-controlling interests.

Operational result after tax and non-controlling interests as presented by Delta Lloyd is a non-GAAP financial measure and is not a measure of financial performance under IFRS and should be considered in conjunction with Delta Lloyd's IFRS results. Operational result after tax and non-controlling interest should not be considered in isolation as an alternative to the IFRS result before tax from continuing operations or to other data presented in Delta Lloyd's financial statements as indicators of financial performance. Since operational result as presented by Delta Lloyd is not determined in accordance with IFRS, it may not be comparable to other similarly titled measures of performance of other companies.

Delta Lloyd's net IFRS income is inherently volatile, principally as a result of the application of mark-to-market accounting since 2006. Given this volatility, Delta Lloyd does not view net IFRS result as the most effective measure by which it can judge the operational performance of the Group.

Segment income and expense presentation

In line with the sale of the banking activities in Belgium and the insurance activities in Germany in 2015, these entities have been excluded from the 2015 operational result definition.

Segment information provided to the Executive Board

The segment information on 31 December 2016 is reported as follows to the Executive Board:

Income and result for the financial year

In millions of euros	Life	General	Bank	Asset Manage-ment	Corporate and other activities	Elimi-nations	Total
Income							
Gross written premiums	2,272.7	1,454.2	-	-	-	-	3,726.9
Net premiums earned	2,240.8	1,320.1	-	-	-	-	3,560.9
Fee and commission income	110.3	51.2	29.6	97.4	60.1	-102.7	246.0
Net investment income							
Interest income	1,350.1	35.7	148.4	-	71.3	-64.0	1,541.5
Net rental income	46.2	-	-	-	-	-0.9	45.3
Dividends	215.6	5.3	-	-	0.4	-	221.2
Movements in the fair value of investments classified as held for trading	-17.4	-	-	-	-	-	-17.4
Movements in the fair value of investments classified as other than trading	2,296.2	26.7	8.3	-	-26.3	-	2,305.0
Realised gains and losses on investments classified as available for sale	108.4	74.0	0.1	-	2.8	-	185.2
Impairment of investments classified as available for sale	-13.9	-	-0.2	-	-0.2	-	-14.5
Reversal of impairment of investments classified as available for sale	-	0.3	-	-	-	-	0.3
Result from loans and receivables	0.5	-	-	-	0.2	-	0.7
Impairment of loans and receivables	-7.2	-	-5.4	-	-2.4	-	-15.0
Reversal of impairment of loans and receivables	7.1	-	4.4	-	2.3	-	13.8
Result from derivatives	793.8	-6.3	-5.7	-	4.2	-	786.0
Other investment income	63.0	-0.5	-	-	-0.8	-9.1	52.6
Share of profit or loss after tax of associates	-7.4	-	-	1.6	-1.7	-	-7.5
Total investment income	4,834.9	135.1	150.0	1.6	49.7	-73.9	5,097.3
Other income	3.0	-	-	-	-	-	3.1
Total income	7,188.9	1,506.2	179.6	99.0	109.8	-176.4	8,907.2
Total intercompany income	70.9	0.3	27.9	14.1	63.4	-176.4	-
Revenue from external customers	**7,118.0**	**1,505.9**	**151.7**	**84.9**	**46.4**	**-**	**8,907.2**

Income and result for the financial year

In millions of euros	Life	General	Bank	Asset Manage-ment	Corporate and other activities	Elimi-nations	Total
Result after tax and non-controlling interests	334.9	12.5	30.6	-6.6	-140.3	-	231.2
Operational result after tax and non-controlling interests	658.4	-4.2	42.2	5.2	-58.2	-	643.5

Expenses for the financial year

In millions of euros	Life	General	Bank	Asset Manage-ment	Corporate and Other Activities	Elimi-nations	Total
Net claims and benefits paid*	2,907.4	938.5	-	-	-	-	3,845.9
Total change in insurance liabilities, net of reinsurance	2,784.9	52.5	-	-	-	-	2,837.4
Charge to financial liability on behalf of third party interest in investment funds	368.6	-	-	-	-	-	368.6
Expenses relating to the acquisition of insurance, investment and other contracts	272.9	351.8	4.4	44.3	28.1	-103.0	598.5
Total finance costs	184.6	11.6	70.7	0.2	121.3	-72.5	315.7
Staff costs and other employee-related expenditures	139.4	159.3	27.6	28.2	191.0	-	545.6
Amortisation of intangible fixed assets	9.2	1.3	-	2.5	2.0	-	15.0
Depreciation of property and equipment	0.8	-	-	-	7.0	-	7.8
Operating expenses	130.2	90.7	36.1	32.5	-51.1	-0.9	237.5
Impairment of receivables	2.2	7.1	-	-	-	-	9.2
Reversal of impairment of receivables	-2.0	-4.2	-	-	-	-	-6.3
Allocated to expenses relating to the acquisition of insurance, investment and other contracts	-99.3	-128.8	-	-	-	-	-228.1
Total other operating expenses	180.6	125.4	63.7	63.2	148.9	-0.9	581.0
Total expenses	**6,699.0**	**1,479.7**	**138.8**	**107.7**	**298.3**	**-176.4**	**8,547.1**
Income tax	122.0	5.9	10.2	-2.1	-48.2	-	87.9

* Net claims and benefits paid includes profit sharing and discounts.

Segment statement of financial position at year-end

In millions of euros	Life	General	Bank	Asset Manage-ment	Corporate and Other Activities	Elimi- nations	Total
Intangible assets	57.6	23.8	-	-	262.7	-	344.1
Associates and joint ventures	34.5	-	-	-	1.6	-	36.1
Financial investments	59,843.0	2,256.6	5,061.6	22.8	1,584.3	-700.3	68,068.0
Reinsurance assets	375.6	163.2	-	-	-	-	538.7
Assets held for sale	-	-	-	-	-	-	-
Other assets	6,520.9	568.7	481.0	19.4	3,849.9	-4,030.0	7,409.9
Total assets	**66,831.5**	**3,012.4**	**5,542.7**	**42.1**	**5,698.5**	**-4,730.3**	**76,396.8**
Total shareholders' funds	2,802.9	391.8	260.6	19.3	-72.2	-	3,402.5
Insurance liabilities	45,798.9	2,116.9	-	-	-	-	47,915.8
Investment liabilities	6,918.3	-	-	-	-	-	6,918.3
Borrowings	971.0	130.0	1,585.8	-	1,931.3	-635.3	3,982.8
Other liabilities	10,340.4	373.7	3,696.3	22.8	3,839.3	-4,095.1	14,177.4
Total liabilities	64,028.6	2,620.6	5,282.1	22.8	5,770.6	-4,730.3	72,994.3
Total shareholders' funds and liabilities	**66,831.5**	**3,012.4**	**5,542.7**	**42.1**	**5,698.5**	**-4,730.3**	**76,396.8**
Property and equipment	-	-	-	-	9.4	-	9.4
Intangible assets	3.5	-	-	-	3.0	-	6.5
Total capital expenditure	3.5	-	-	-	12.4	-	15.9

Income and result for the prior financial year

In millions of euros	Life	General	Bank	Asset Manage-ment	Corporate and other activities	Elimi- nations	Total
Income							
Gross written premiums	2,683.7	1,354.7	-	-	-	-	4,038.3
Net premiums earned	2,624.0	1,252.3	-	-	-	-	3,876.3
Fee and commission income	97.2	54.3	26.8	143.6	52.8	-101.7	272.8
Net investment income							
Interest income	1,291.5	46.5	160.3	-	109.8	-78.7	1,529.4
Net rental income	74.1	-	-	-	-	-7.5	66.6
Dividends	242.4	7.4	-	-	-	-	249.9
Movements in the fair value of investments classified as held for trading	-5.1	-	-	-	-	-	-5.1
Movements in the fair value of investments classified as other than trading	229.1	-10.2	4.3	-	-6.6	-	216.5
Realised gains and losses on investments classified as available for sale	251.0	30.2	-0.2	-	-17.9	-	263.1
Impairment of investments classified as available for sale	-21.1	-2.3	-	-	-0.1	-	-23.5

Income and result for the prior financial year

In millions of euros	Life	General	Bank	Asset Manage-ment	Corporate and other activities	Elimi- nations	Total
Result from loans and receivables	6.8	-	0.7	-	-	-	7.5
Impairment of loans and receivables	-17.6	-	-5.6	-	0.6	-	-22.6
Reversal of impairment of loans and receivables	21.3	-	2.9	-	0.2	-	24.5
Result from derivatives	-665.2	-18.1	-1.5	-	35.9	-	-648.9
Other investment income	-4.3	-	-	-	23.4	-8.5	10.6
Share of profit or loss after tax of associates	75.3	0.3	-	0.1	6.9	-	82.6
Total investment income	1,478.3	53.9	160.9	0.1	152.2	-94.6	1,750.8
Other income	9.1	-0.2	-	-	54.0	0.1	63.0
Total income	4,208.6	1,360.4	187.6	143.6	259.0	-196.2	5,963.0
Total intercompany income	74.1	0.2	34.7	21.3	66.0	-196.2	-
Revenue from external customers	**4,134.5**	**1,360.2**	**152.9**	**122.3**	**193.0**	**-**	**5,963.0**
Result after tax and non-controlling interests	189.9	52.7	37.7	34.6	-186.8	-	128.1
Operational result after tax and non-controlling interests	591.8	68.6	41.6	42.6	-66.6	-	678.0

Expenses for the prior financial year

In millions of euros	Life	General	Bank	Asset Manage-ment	Corporate and other activities	Elimi- nations	Total
Net claims and benefits paid*	2,994.1	883.9	-	-	-	-	3,878.0
Total change in insurance liabilities, net of reinsurance	-157.0	-56.9	-	-	-	-	-213.8
Charge to financial liability on behalf of third party interest in investment funds	487.3	-	-	-	-	-	487.3
Expenses relating to the acquisition of insurance, investment and other contracts	311.7	334.6	4.3	43.9	23.5	-101.6	616.4
Total finance costs	183.1	12.5	78.4	0.1	149.7	-87.2	336.6
Staff costs and other employee-related expenditures	129.4	111.6	21.9	26.3	221.8	-	511.0
Amortisation of intangible fixed assets	8.9	1.3	0.1	2.5	1.9	-	14.7
Depreciation of property and equipment	2.6	-	-	-	4.8	-	7.4
Operating expenses	169.4	114.3	32.5	24.3	52.8	-7.4	386.0
Impairment of goodwill	-	-	-	-	21.2	-	21.2
Impairment of other intangible fixed assets	0.1	-	-	-	-	-	0.1

Expenses for the prior financial year

In millions of euros	Life	General	Bank	Asset Manage-ment	Corporate and other activities	Elimi- nations	Total
Impairment of property and equipment	0.4	-	-	-	-	-	0.4
Impairment of receivables	1.3	6.7	-	-	-	-	7.9
Reversal of impairment of receivables	-1.2	-5.2	-	-	-	-	-6.5
Allocated to expenses relating to the acquisition of insurance, investment and other contracts	-102.3	-125.9	-	-	-	-	-228.2
Total other operating expenses	208.5	102.8	54.6	53.0	302.5	-7.4	714.0
Total expenses	**4,027.7**	**1,277.0**	**137.3**	**97.0**	**475.7**	**-196.2**	**5,818.5**
Income tax	-10.1	19.4	12.6	11.9	-30.0	-	3.8

* Net claims and benefits paid include profit sharing and discounts.

Segment statement of financial position at prior year-end

In millions of euros	Life	General	Bank	Asset Manage-ment	Corporate and other activities	Elimi- nations	Total
Intangible assets	63.3	25.1	-	10.0	261.7	-	360.1
Associates and joint ventures	194.8	5.4	-	0.3	78.4	-	278.9
Financial investments	58,816.7	2,357.8	4,854.3	22.4	2,646.0	-2,622.0	66,075.2
Reinsurance assets	392.2	169.9	-	-	-	-	562.1
Assets held for sale	-	-	-	-	29.2	-	29.2
Other assets	4,197.8	505.0	785.0	47.8	4,473.5	-3,846.4	6,162.7
Total assets	**63,664.9**	**3,063.1**	**5,639.3**	**80.4**	**7,488.9**	**-6,468.4**	**73,468.2**
Total shareholders' funds	2,706.6	529.8	192.3	59.5	-665.6	-	2,822.6
Insurance liabilities	43,749.6	2,040.3	-	-	-	-	45,789.9
Investment liabilities	6,304.5	-	-	-	-	-	6,304.5
Borrowings	965.5	130.0	1,308.4	-	3,052.1	-1,139.9	4,316.2
Other liabilities	9,938.6	363.1	4,138.5	20.9	5,102.4	-5,328.5	14,235.0
Total liabilities	60,958.3	2,533.3	5,447.0	20.9	8,154.5	-6,468.4	70,645.5
Total shareholders' funds and liabilities	**63,664.9**	**3,063.1**	**5,639.3**	**80.4**	**7,488.9**	**-6,468.4**	**73,468.2**
Property and equipment	1.7	-	-	-	7.1	-	8.8
Intangible assets	0.8	-	-	-	1.1	-	1.9
Total capital expenditure	2.5	-	-	-	8.2	-	10.7

Reconciliation to primary financial statements

A reconciliation of operational result after tax and non-controlling interests to result before tax from continuing operations is as follows:

Reconciliation of the result

In millions of euros	2016	2015
Operational result after tax and non-controlling interests	643.5	678.0
Income tax	228.7	235.1
Non-controlling interests	42.5	27.2
Operational result before tax and non-controlling interests	914.7	940.3
Movement assets	2,571.7	-1,022.1
Movement liabilities	-2,866.6	380.6
Change in provision onerous contracts for subsidiaries sold	-	-162.1
Other	-259.6	13.7
Result before tax from continuing operations	**360.2**	**150.4**

Gross operational result decreased to € 914.7 million (2015: € 940.3 million), reflecting lower technical results partly offset by higher investment spread. The negative technical profitability at segment general insurance, caused in part by the exceptional weather in the south of the Netherlands in June and lower technical results at asset management, were only partly offset by strong result on expenses within the technical result of segment Life. The higher investment spread of € 753.5 million (2015: € 710.6 million) reflected lower required interest.

The required interest for the Life segment and a small part for the General segment is calculated by means of a proxy, using the 13-year point on the discount curve. This calculation is made on a monthly basis, where the 13-year point per ultimo quarter is used for the monthly calculations in the following quarter.

In the first half year of 2016 the Collateralised AAA curve is used as discount curve. As of 30 June 2016, the new IFRS discount curve was used in this methodology to calculate the required interest. Furthermore, the material ineffectiveness of the proxy (including the impact of the UFR) is not incorporated in the required interest for the Life segment.

In 2016, the movement in the value of our liabilities outweighed the movement in our assets, resulting in market volatility of € -294.9 million (2015: € -641.5 million). This reflected, amongst other things, the adverse longevity development of € -235.0 million.

In 2015, the Collateralised AAA curve moved upwards resulting in a release of the insurance provision, which led to a lower 'movement of assets', as the market value of the fixed income portfolio decreased.

In the first half of 2016, the Collateralised AAA curve showed a downward trend. By half year, the initially higher new IFRS discount curve introduced at 30 June 2016 was volatile, and ultimately ended up overall lower than year-end 2015. As a result the insurance liabilities are strengthened in 2016. See section 'Insurance liabilities' for more details. The favourable credit spread developments combined with lower interest rates had a positive impact on the market value.

'Other' consists mainly of non-operational expenses of € 214.8 million (2015: € 157.9 million), Amstelhuys' positive result of € 24.0 million (2015: positive result of € 55.8 million), the negative impact of group elimination of pensions of € 70.7 million (2015: positive impact of € 12.2 million), and in 2015 only the positive net result of Delta Lloyd Bank Belgium of € 11.0 million.

Management cost base per segment for the financial year

In millions of euros	2016	2015
Life Insurance	216.3	235.3
General Insurance	206.8	210.8
Bank	49.7	50.6
Asset Management	46.0	42.7
Corporate and other activities	70.0	79.2
Total	**588.8**	**618.6**

Reconciliation IFRS operational costs to other operating expenses

In millions of euros	2016	2015
Total other operating expenses*	581.0	788.8
Operating expenses Delta Lloyd Bank Belgium	-	-74.8
Other operating expenses	581.0	714.0
Expenses relating to the acquisition of insurance and investment contracts	228.1	228.2
Movement in other provisions	-5.4	-176.7
Non-operational costs	-214.8	-157.9
Other	-	11.0
Management cost base	**588.8**	**618.6**

* See section 'Consolidated Income Statement'.

The non-operational costs consist mainly of impairments of € 10.5 million (2015: € 22.7 million), several non-operational strategic and other projects for an amount of € 120.9 million (2015: € 90.0 million), additional one-off pension service costs resulting from the transfer of own pension fund to a collective defined contribution contract of € 25.0 million. Furthermore, there are integration expenses of € 40.5 million regarding the several reorganisations that are taking place throughout Delta Lloyd (2015: € nil) and miscellaneous of € 16.7 million. In 2015, the non-operational costs also included the fine imposed by the Dutch central bank of € 22.7 million.

The table below provides details of the other operating expenses.

Other operating expenses		
In millions of euros	2016	2015
Staff costs and other employee-related expenditures	545.6	511.0
Amortisation of intangible fixed assets	15.0	14.7
Depreciation on property and equipment	7.9	7.4
Operating expenses	237.5	386.0
Impairment of goodwill	-	21.2
Impairment of other intangible fixed assets	-	-
Impairment of property and equipment	-	0.4
Impairment of receivables	9.2	7.9
Reversal of impairment of receivables	-6.3	-6.5
Allocated to expenses relating to the acquisition of insurance, investment and other contracts	-228.1	-228.2
Total other operating expenses	**581.0**	**714.0**

Line item 'Allocated to expenses relating to the acquisition of insurance and investment contracts' of € 228.1 million (2015: € 228.2 million) includes acquisition costs of € 154.9 million (2015: € 162.0 million) and costs for handling claims of € 73.2 million (2015: € 66.2 million).

Entity-wide disclosures

Geographical areas

Delta Lloyd operates in two main geographical areas, namely the Netherlands and Belgium. Revenue by geographical area does not differ materially from the revenue by area of origin, as most risks are located in the countries where the contracts were written.

Gross written premiums in the financial year		
In millions of euros	2016	2015
Netherlands	3,098.8	3,236.0
Belgium	628.1	802.3
Total	**3,726.9**	**4,038.3**

Fee and commission income in the financial year		
In millions of euros	2016	2015
Netherlands	203.1	242.3
Belgium	42.8	30.5
Total	**246.0**	**272.8**

Interest income in the financial year

In millions of euros	2016	2015
Netherlands	1,302.5	1,311.6
Belgium	239.0	217.8
Total	**1,541.5**	**1,529.4**

Assets per geographical area at year-end

In millions of euros	Netherlands 2016	Netherlands 2015	Belgium 2016	Belgium 2015	Total 2016	Total 2015
Intangible assets	340.9	359.7	3.2	0.4	344.1	360.1
Associates and joint ventures	36.1	278.9	-	-	36.1	278.9
Financial investments	57,540.6	56,321.8	10,527.3	9,753.4	68,068.0	66,075.2
Reinsurance assets	521.6	542.0	17.1	20.1	538.7	562.1
Assets held for sale	-	29.2	-	-	-	29.2
Other assets	6,083.7	4,760.9	1,326.2	1,401.8	7,409.9	6,162.7
Total assets	**64,523.0**	**62,292.5**	**11,873.9**	**11,175.7**	**76,396.8**	**73,468.2**

(4) Subsidiaries

Information on the Group companies on 31 December 2016 is included in section 'Participating interests'.

The restrictions on dividend distributions relate to minimum regulatory capital requirements.

In 2016, no subsidiaries were disposed.

(5) Discontinued operations and assets and liabilities held for sale

Classification as held for sale is made if the carrying amount will be recovered principally from a sale transaction rather than through continuing use. This is only the case when the sale is highly probable:

- The disposal group or group of assets is available for immediate sale in its present condition;
- Delta Lloyd is committed to a plan to sell these assets and has an active programme to locate a buyer;
- The sale is expected to occur within one year from the date of classification as held for sale.

When a group of assets classified as held for sale represents a major line of business or geographical area the disposal group classifies as discontinued operations. Assets classified as held for sale (including assets of operations which are discontinued) are recorded at the lower of their carrying amount and their fair value, less the expected cost to sell the assets. Delta Lloyd assesses whether the expected sale price is higher than the book value. Any impairment is restricted to the carrying amount of the non-current assets within the scope of IFRS 5 measurement requirements.

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

Assets and liabilities relating to assets held for sale

In millions of euros	31 December 2016	31 December 2015
Equity securities (private equity)	-	29.2
Total assets held for sale	**-**	**29.2**
Total liabilities relating to assets held for sale	**-**	**-**

The sale of the private equity securities was finalised in the first quarter of 2016. The impact of this transaction on total comprehensive income amounted to nil, but resulted in the reclassification of a realised gain of € 2.1 million from other comprehensive income to the income statement.

As at 30 June 2016 the derivatives related to life settlement contracts, were classified as an asset held for sale. The actual sale of the collateral was concluded in October 2016. See section 'Derivatives' for more detail.

The tables below show financial assets and liabilities measured at fair value and the total carrying value to maintain the link with the above table of assets and liabilities relating to held for sale.

Financial assets held for sale by measurement method at year-end

In millions of euros	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Equity securities	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**

Financial assets held for sale by measurement method at prior year-end

In millions of euros	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Equity securities	29.2	29.2	-	-	29.2
Total	**29.2**	**29.2**	**-**	**-**	**29.2**

There were no transfers of recurring assets and recurring liabilities between fair value measurement based on published prices (level 1 of the fair value hierarchy) and fair value measurement based on observable market inputs (level 2 of the fair value hierarchy) during the year.

The valuation techniques used to obtain the fair value of assets and liabilities that are held for sale are the same as those for assets and liabilities not held for sale. See section 'Fair value of financial assets and liabilities' for a description of the valuation techniques and inputs used in the fair value measurements.

The table below provides additional information on assets for which there are significant unobservable market inputs (level 3 of the fair value hierarchy).

Statement of changes in assets and liabilities held for sale within level 3

In millions of euros	Equity securities	Derivatives relating to life settlement	Total 2016	Total 2015
At 1 January	29.2	-	29.2	17.0
Transfer to held for sale	-	115.3	115.3	29.2
Disposals	-29.2	-115.3	-144.5	-17.0
At 31 December	**-**	**-**	**-**	**29.2**

(6) Details of income

Premiums relating to insurance contracts

General insurance premiums written reflect new and renewed business during the year, and exclude any sales-based taxes. A limited part of the general insurance portfolio (mainly pools, exchange and inward reinsurance) is reported one quarter later. Unearned premiums are premiums written in a year that are related to periods of risk after the reporting period. Unearned premiums are calculated daily, monthly or quarterly on a pro rata basis.

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

No premium income is recognised in the income statement for investment contracts without discretionary participating features (non-DPF).

Income relating to investment contracts

Investment contract policyholders are charged fees for policy administration, investment management, surrenders and other contract services. These fees are recognised as revenue in the period in which they arise unless they relate to future services, in which case they are deferred and recognised when the service is provided. If there is no contract for investment management services, the upfront fee is recognised as revenue on receipt. However, for investment contracts that are measured at amortised cost, the fee forms part of the amortised cost.

Net investment income

Investment income consists of cash and stock dividends, interest and rental income receivable for the year, fair value changes in investments through profit or loss, impairment charges on available-for-sale investments, impairment charges on loans and receivables at amortised cost and book gains and losses on the sale of investments. Dividends on investments in equity securities are recorded as revenue on the ex-dividend date. Interest income is recognised as it accrues, taking into account the effective interest rate of the investment. This includes interest income as a result of interest rate differentials on forward foreign exchange contracts. Rental income is recognised based on the elapsed rental period.

The realised gain or loss on the disposal of an investment is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost as appropriate. Unrealised gains and losses represent the difference between the carrying value at year-end and the carrying value at the previous year-end or the purchase price during the year, less the reversal of previously recognised unrealised gains and losses on disposals made during the year.

Income from securities lending is settled with the counterparty and recognised in the income statement on a quarterly basis.

Fee and commission income

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

Details of income

In millions of euros	2016	2015
Net premiums earned		
Premiums written Life	2,272.7	2,683.7
Premiums written General	1,454.2	1,354.7
Gross written premiums	3,726.9	4,038.3
Premiums ceded to reinsurers Life	-31.9	-59.7
Premiums ceded to reinsurers General	-106.7	-102.8
Net written premiums	3,588.2	3,875.9
Gross movement in provision for unearned premiums	-25.7	0.6
Reinsurers' share of movement in provision for unearned premiums	-1.7	-0.2
Net movement in provision for unearned premiums	-27.4	0.4
Total net premiums earned	3,560.9	3,876.3
Net investment income		
Interest income	1,396.6	1,383.2
Gross rental income	62.3	103.4
Expenses repair & maintenance relating to rental income	-17.0	-36.8
Dividends	73.5	90.6
Movements in the fair value of investments classified as held for trading	-17.3	-5.1
Movements in the fair value of investments classified as other than trading	1,561.7	-578.3
Realised gains and losses on investments classified as available for sale	185.2	295.4
Impairment of investments classified as available for sale	-14.6	-23.7
Reversal of impairment of investments classified as available for sale	0.3	-
Result from loans and receivables	0.7	7.5
Impairment of loans and receivables	-14.9	-27.1
Reversal of impairment of loans and receivables	13.8	26.2
Result from derivatives	788.2	-647.7
Realised/unrealised other investment income	-19.4	29.6
Result from investment property	72.0	-19.0
Share of profit or loss after tax of associates	-7.5	82.6
Total net investment income - own risk	4,063.6	680.9
Interest income	111.1	135.4
Dividends	115.0	115.3
Movements in the fair value of investments classified as other than trading	668.9	612.1
Result from derivatives	-1.8	11.1
Total net investment income - at policyholders risk	893.2	873.9
Interest income	33.7	52.3
Dividends	32.7	43.9
Movements in the fair value of investments classified as other than trading	74.4	180.6
Result from derivatives	-0.4	4.6
Total net investment income - third party interest	140.4	281.5

Details of income

In millions of euros	2016	2015
Total net investment income	5,097.3	1,836.4
Fee and commission income		
Fee income from investment contract business	3.0	2.2
Fund management fee income	99.2	128.4
Other fee income	45.5	50.0
Total income from reinsurance premiums	29.4	36.5
Other commission income	69.0	81.6
Total fee and commission income	246.0	298.7
Result on disposal of subsidiaries	-	-
Other income	3.1	63.2
Total income	**8,907.2**	**6,074.6**

Net rental income consists of rental income on investment properties of € 62.3 million (2015: € 103.4 million) and operating expenses including repairs and maintenance on rented property of € 17.0 million (2015: € 36.8 million) of which € 0.3 million related to vacancies (2015: € 0.8 million). Lease agreements are at arm's length. Expected future rental income is disclosed in section 'Off-balance sheet positions'.

Movements in the fair value of investments classified as other than trading include € 415.1 million (2015: € 735.5 million) of realised fair value changes for debt securities at own risk and € 1,135.0 million (2015: € -1,456.1 million) of unrealised fair value changes for debt securities at own risk.

Total results from derivatives (own risk, at policyholders risk and third party interests) included € 832.4 million (2015: € -477.0 million) of unrealised fair value changes and € -46.4 million of realised fair value changes (2015: € -154.9 million).

The change in result from investment property is mainly due to the increase in unrealised fair value gains on investment to € 69.7 million (2015: € 24.9 million).

Gross written premiums of Life in the financial year

In millions of euros	Individual insurance	Group insurance	Individual investment	Group investment	Total
Single premium	181.2	301.1	59.0	56.7	598.0
Annual premium	548.1	995.8	47.4	63.3	1,654.6
Reinsurance	18.3	1.9	-	-	20.1
Total	**747.5**	**1,298.8**	**106.4**	**120.0**	**2,272.7**

Gross written premiums of Life in the prior financial year

In millions of euros	Individual insurance	Group insurance	Individual investment	Group investment	Total
Single premium	361.4	388.1	145.0	96.8	991.4
Annual premium	542.7	1,000.9	50.5	68.6	1,662.8
Reinsurance	21.2	8.3	-	-	29.5
Total	**925.4**	**1,397.3**	**195.5**	**165.5**	**2,683.7**

The change in the single premium is mainly caused by the strategy to only write capital light products. New single premiums in Belgium are negatively impacted by the lower guaranteed interest rate.

Interest income in the financial year - own risk

In millions of euros	2016	2015
Debt securities available for sale	17.0	37.9
Debt securities other than trading	614.8	658.0
Total debt securities	631.8	695.9
Total mortgages	540.9	624.0
Deposits	2.3	1.7
Issued loans	215.2	111.0
Loans to banks	-0.2	-0.6
Loans and advances to clients	4.9	36.9
Cash and cash equivalents	17.1	6.8
Other	-15.4	-92.5
Other interest income	223.9	63.3
Total interest income	**1,396.6**	**1,383.2**

The interest income on issued loans increased mainly due to the reclassification of the investments at policyholders' risk relating to saving mortgages to 'Other loans own risk amortised cost'. Other mainly consist of the result on interest rate swaps € 31.1 million (2015: € -12.6 million) and amortisation of hedged items € -25.0 million (2015: € -60.3 million).

Movements in fair value of derivatives held for fair value hedge accounting

In millions of euros	2016	2015
Movement in fair value of the hedging instrument	-12.4	10.7
Movement in fair value of the hedged positions	7.8	-24.8
Amortisation of the fair value of the hedged positions	-25.0	-60.3
Movements in fair value of derivatives held for fair value hedge accounting	**-29.6**	**-74.4**

Movements in the fair value of the hedging instrument and movements in the fair value of the hedged positions are included in result from derivatives. Amortisation of the fair value of the hedged positions is included in other interest income.

(7) Details of expenses

Expenses are recognised in the period in which the services or goods were provided and to which the payment relates.

Claims and benefits

General insurance claims incurred include all losses occurring during the year, whether reported or not, related handling costs for claims, reduced for the value of salvage and subrogation, and adjustments to claims outstanding from previous years. Claims-handling costs relate to internal costs incurred in connection with the settlement of claims. Internal claims-handling costs include the direct expenses of the claims department and allocated general expenses.

Life insurance benefits reflect the cost of all claims arising during the year, including handling costs and bonuses accrued.

Expenses for investment contracts

Expenses for investment contracts without discretionary participating features are recognised insofar as payments or recalculated obligations exceed the carrying value of the obligations.

Fee and commission expenses

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

Details of expenses in the financial year

In millions of euros	2016	2015
Claims and benefits paid		
Life	2,953.1	3,065.9
General	995.0	970.1
Total claims and benefits paid*	3,948.1	4,036.1
Life	-45.7	-71.8
General	-56.5	-86.2
Total claim recoveries from reinsurers	-102.2	-158.0
Net claims and benefits paid*	3,845.9	3,878.0
Change in insurance liabilities, net of reinsurance		
Change in insurance liabilities	2,815.7	-297.9
Change in reinsurance assets for insurance	21.7	84.0
Total change in insurance liabilities, net of reinsurance	2,837.4	-213.8
Charge to financial liability on behalf of third party interest in consolidated investment funds	368.6	487.3
Expenses relating to the acquisition of insurance, investment and other contracts	598.5	621.4
Finance costs		
Interest on other financial liabilities	21.1	18.8
Interest on savings and (demand) deposits	59.7	88.4
Interest on issued bond loans	91.4	93.2
Interest on subordinated debt	70.1	64.4
Interest on securitised mortgage loan notes	17.6	41.9
Pension interest cost	55.8	55.7
Total finance costs	315.7	362.5
Other operating expenses		
Staff costs and other employee-related expenditures	545.6	539.6
Amortisation of intangible fixed assets	15.0	14.7
Depreciation on property and equipment	7.9	7.4
Operating expenses	230.0	428.6
Gains and losses on disposals	-	-0.7
Impairment of goodwill	-	21.2
Impairment of other intangible assets	7.5	1.1
Impairment of property and equipment	-	3.6
Impairment of receivables	9.2	7.9
Reversal of impairment of receivables	-6.3	-6.5
Allocated to expenses relating to the acquisition of insurance, investment and other contracts	-228.1	-228.2
Total other operating expenses	581.0	788.8

Details of expenses in the financial year

In millions of euros	2016	2015
Total expenses	**8,547.1**	**5,924.2**

* Total claims and benefits paid includes profit sharing and discounts.

The decrease in operating expenses is mainly due to changes in provision for onerous contracts related to the sale of and Delta Lloyd Deutschland and Delta Lloyd Bank Belgium in 2015 (€ 165.7 million), and the fines imposed by the DNB on Delta Lloyd Levensverzekeringen (€ 22.7 million) and on Delta Lloyd Asset Management (€ 0.8 million) in 2015.

Included in operating expenses are operational lease charges of € 19.9 million (2015: € 18.3 million). No contingent rents or sublease payments are included in this amount.

Also included in operating expenses is a one-off payment of € 1.5 million made to Stichting Continuïteit Delta Lloyd (see section 'Protective measures') in 2016. This payment ensures the foundation can meet its financial liabilities and is able to perform its activities regarding the takeover bid placed on Delta Lloyd.

Of the total finance costs, € 310.7 million (2015: € 343.7 million) relates to liabilities measured at amortised cost and € 5.1 million (2015: € 18.8 million) to securitised mortgage loan notes measured at fair value.

(8) Employee information

Staff costs are recognised for the period in which the employees provide the services that relate to the payments. The accounting policy for pensions is included in section 'Pension obligations' and that for share-based payments (profit sharing and incentive plans) is incorporated further on in this section.

Average number of employees (FTEs) during the year

Number in FTEs	2016	2015
Permanent staff	4,025.8	4,620.4
Temporary staff	563.7	587.4
Total	**4,589.5**	**5,207.8**

The decrease in average number of employees is mainly the result of cost-saving programmes and the sale of Delta Lloyd Bank Belgium and Delta Lloyd Deutschland which finalised during 2015.

Staff costs in the financial year

In millions of euros	2016	2015
Salaries	232.9	259.9
External staff	96.4	83.3
Social security contributions	38.8	43.2
Pension expenses*	80.4	73.0
Profit sharing and incentive plans	6.1	4.1
Termination benefits	30.3	18.6
Other staff costs	60.7	57.6
Total	**545.6**	**539.6**

* See section 'Pension Obligations'.

Staff costs charged to:

In millions of euros	2016	2015
Expenses relating to the acquisition of insurance and investment contracts	80.7	71.0
Claims-handling expenses	32.6	24.4
Other operating expenses	432.3	444.2
Total	**545.6**	**539.6**

Pension expenses are € 7.4 million higher than last year mainly due to one-off payments of € 25.0 million to settle for the main pension plan in the Netherlands, compensated by a decrease in current service costs for the year-end 2016 due to the higher discount rate at the beginning of 2016 compared to the beginning of 2015.

Other staff costs include € 35.4 million for travel expenses, holiday allowances and training costs (2015: € 37.8 million).

Share-based and performance-related incentive plans

Delta Lloyd has two share-based and performance related incentive plans, one equity-settled (Variable Incentive Plan for identified staff) and one cash-settled (Variable Incentive Plan for other managers). The Delta Lloyd Phantom Option Plan ended and all option granted were exercised or expired by the end of 2016.

Equity-settled plan

For the equity-settled plan the overall expense is calculated on the grant date of the conditional shares as the fair value of a conditional share, multiplied by the estimated number of conditional shares that will vest, based on expectations regarding performance criteria that are not related to market conditions, and the continuation of employment ('vesting conditions'). In determining the fair value, account is taken of the market conditions applicable to the performance criteria related to total shareholder return. The fair value does not change during the period up to vesting. See the general section below for the fair value calculation method. The overall expense is allocated on a straight-line basis over the vesting period (four years), based on the employee services rendered, taking into account the estimated number of conditional shares that can vest under the applicable vesting conditions on each reporting date. The expense is recognised in staff costs with 'equity compensation plan' in equity as the contra-account. On vesting the difference between the 'equity compensation plan' in equity and the actual costs is transferred to retained earnings.

Cash-settled plan

For the cash-settled plan Delta Lloyd determines the fair value on each grant, reporting and settlement date. All changes are immediately recognised in the income statement with a related adjustment to the 'equity compensation plan' provision. The fair value of the phantom options granted is measured using a binomial tree model, taking account of the terms and conditions under which they were granted, including a cap on the actual payment. See the general section below for the fair value calculation method for the Variable Incentive Plan.

General

The fair value of the grants under the variable incentive plans is measured using a Black-Scholes model and Monte Carlo simulation models that incorporate all the specific characteristics of the plans. Expected dividends are applied in accordance with the dividend policy of Delta Lloyd. Volatility is based on historic data of the Delta Lloyd share price.

The vesting of grants is subject to set performance criteria and continued employment at Delta Lloyd on the vesting date. If employment is terminated, the grants lapse immediately, except in a situation where the employee leaves as a result of early retirement, disability, death or because the entity for which the employee works is no longer part of Delta Lloyd. In this last case, the grants vest immediately and become exercisable for a period of one year, after which they lapse.

There is an ex-post risk adjustment for each deferred payout when the performance is reassessed against the original targets. There is also a clawback clause under which any variable remuneration may be recovered during a five-year period after the vesting date, if an employee has acted unethically and/or in conflict with Delta Lloyd's policy.

An amount of € 1.8 million for share-based and performance-related incentive plans as described below was charged to the income statement under profit sharing and incentive plans (2015: € 0.2 million), and an amount of € 4.3 million for other profit sharing and incentives was charged to the income statement (2015: € 4.0 million).

Profit sharing and incentive plans

In millions of euros	2016	2015
Equity-settled share-based payment transactions		
Variable Incentive Plan for identified staff	0.3	2.6
Total	0.3	2.6
Cash-settled share based payment transactions		
Phantom option plan	-	-2.2
Variable Incentive Plan for other managers	1.6	-0.2
Variable Incentive Plan for identified staff and other managers for the cash settlement that is based on the Delta Lloyd NV share price development	-0.1	-
Total	1.5	-2.4
Cash-settled performance-related incentive plan		
Total share-based and performance-related incentive plans	1.8	0.2
Other profit sharing and incentives	4.3	4.0
Transfer to result after tax from discontinued operations	-	-0.1
Total profit sharing and incentive plans	**6.1**	**4.1**

Delta Lloyd Phantom Option Plan (to 3 November 2009)

The final grants under the 2006 Phantom Option Plan were made in 2009. All phantom options granted expired by the end of 2016. The release to the income statement was € 0.0 million (2015: release of € 2.2 million). The movements in the number of options granted were as follows:

Statement of changes in phantom options granted

In numbers of options	2016	2015
Outstanding at 1 January	489,205	1,972,650
Granted	-	-
Rebasing	-	0
Exercised during the year	-	-33,716
Expired	-399,082	-1,449,729
Forfeiture by termination of employment during the year	-90,123	0
Outstanding at 31 December	**-**	**489,205**

In accordance to the terms and conditions of the share based payments schemes additional shares or options were granted in relation to the outstanding (phantom) shares in respect of the long term variable incentive plan to compensate participants for the decrease in value due to the rights issue earlier this year. The additional shares compensate for the decrease in value of the outstanding shares which were conditionally granted to the participants before the rights issue but will vest after the rights issue. In accordance to the terms and conditions of the share based payment scheme of the phantom options, the exercise price of the phantom options were adjusted to compensate participants for the rights issue.

All phantom options that were granted and have vested are unconditional. The exercise price of the phantom options 2009 decreased from € 13.63 to € 10.04 to compensate for the decrease in value due to the rights issue.

Variable Incentive Plan for identified staff (VIP-is, from 1 January 2011)

The VIP-is is a plan for Executive Board members, directors and managers in control functions and functions affecting the risk profile. Their grant until 31 December 2012 is conditional and paid 50% in cash and 50% in shares. These shares have all been exercised or expired by the end of 2016. Their grant from 1 January 2013 onward is conditional and fully paid in shares. The conditional shares confer the right to a distribution of Delta Lloyd shares and may become unconditional after the respective vesting dates, depending on the achievement of set performance criteria and continued employment at Delta Lloyd.

Identified staff other than Executive Board members have a holding period of two years after the shares become unconditional. The holding period for Executive Board members is between two and four years depending on the vesting date.

The table below provides further information on shares granted conditionally and the parameters applied to determine their fair value.

Parameters for conditional shares (VIP-is)

	shares granted 2016	shares granted 2015	shares granted 2014	shares granted 2013
Valuation date (grant date)	15-Apr-2016	01-Jan-2015	20-Mar-2014	01-Jan-2013
Start vesting period	01-Jan-2016	01-Jan-2015	01-Jan-2014	01-Jan-2013
First determination date	31-Dec-2016	31-Dec-2015	31-Dec-2014	31-Dec-2013
Vesting date first tranche	01-Jan-2017	01-Jan-2016	01-Jan-2015	01-Jan-2014
Vesting date second tranche	01-Jan-2018	01-Jan-2017	01-Jan-2016	01-Jan-2015
Vesting date third tranche	01-Jan-2019	01-Jan-2018	01-Jan-2017	01-Jan-2016
Vesting date fourth tranche	01-Jan-2020	01-Jan-2019	01-Jan-2018	01-Jan-2017
Share price volatility	36 to 52%	22 to 34%	24 to 37%	36 to 44%
Share price at initial grant date (euros)	4.54	17.54	20.01	13.41
Dividend yield	6.19%	5.63%	5.41%	7.40%
Risk-free rate	-0.41 to -0.17%	-0.25 to -0.15%	0.15 to 0.60%	-0.03 to 0.42%

The charge for 2016 was € 0.3 million (2015: € 2.6 million). This accounts for the forfeiture of conditional shares and 100% vesting (the maximum is 150%) of grants made.

The movements in the number of phantom shares granted are set out below.

Statement of changes in conditional shares (VIP-is)

In numbers of shares	2016	2015
Outstanding at 1 January	467,558	569,429
Granted	595,094	234,252
Rebasing	304,311	-
Exercised	-179,606	-240,870
Forfeiture by termination of employment during the year	-25,436	-19,343
Forfeiture by performance criteria during the year	-182,414	-75,910
Outstanding at 31 December	**979,506**	**467,558**

All conditional shares were fully unvested on 31 December 2016 and 31 December 2015. The conditional shares granted in 2016 relating to the compensation of participants for the decrease in value due to the rights issue are presented in line item rebasing.

Variable Incentive Plan for other managers (VIP-om, from 1 January 2011)

The VIP-om is a plan for other managers who are not identified staff. Their grant until 31 December 2012 is paid 50% in cash and 50% in conditional phantom shares. From 1 January 2013 onwards their grant is fully paid in conditional phantom shares. The conditional phantom shares confer the right to a distribution in cash. There is no right to dividend phantom shares while the phantom shares have not yet vested and the payout is 50% after the remuneration year and 50% is paid in equal instalments in the three subsequent years. This payout depends on achieving set performance criteria and continued employment at Delta Lloyd.

The table below provides further information on the phantom shares and the parameters used to determine the fair value on 31 December 2016, based on the closing price of Delta Lloyd NV shares of € 5.32 (2015: € 5.45).

Parameters for phantom shares (VIP-om) current year

	2016 shares	2015 shares	2014 shares	2013 shares
Grant date	01- Jan-2016	01- Jan-2015	20- Mar-2014	01- Jan-2013
Start of vesting period	01- Jan-2016	01- Jan-2015	01- Jan-2014	01- Jan-2013
First determination date	31- Dec-2016	31- Dec-2015	31- Dec-2014	31- Dec-2013
Vesting date first tranche	01- Jan-2017	01- Jan-2016	01- Jan-2015	01- Jan-2014
Vesting date second tranche	01- Jan-2018	01- Jan-2017	01- Jan-2016	01- Jan-2015
Vesting date third tranche	01- Jan-2019	01- Jan-2018	01- Jan-2017	01- Jan-2016
Vesting date fourth tranche	01- Jan-2020	01- Jan-2019	01- Jan-2018	01- Jan-2017
Share price volatility	0 to 68%	0 to 68%	0 to 68%	0%
Dividend yield	5.31%	5.31%	5.31%	5.31%
Risk-free rate	-0.82 to 0.00%	-0.82 to 0.00%	-0.82 to 0.00%	0.00%

Parameters for phantom shares (VIP-om) previous year

	2015 shares	2014 shares	2013 shares
Grant date	01- Jan-2015	20- Mar-2014	01- Jan-2013
Start of vesting period	01- Jan-2015	01- Jan-2014	01- Jan-2013
First determination date	31- Dec-2015	31- Dec-2014	31- Dec-2013
Vesting date first tranche	01- Jan-2016	01- Jan-2015	01- Jan-2014
Vesting date second tranche	01- Jan-2017	01- Jan-2016	01- Jan-2015
Vesting date third tranche	01- Jan-2018	01- Jan-2017	01- Jan-2016
Vesting date fourth tranche	01- Jan-2019	01- Jan-2018	01- Jan-2017
Share price volatility	0 to 52%	0 to 53%	0 to 52%
Dividend yield	4.66%	4.66%	4.66%
Risk-free rate	-0.41 to 0%	-0.38 to 0%	-0.41 to 0%

The charge for 2016 was € 1.6 million (2015: release of € 0.2 million). This accounts for the forfeiture of conditional shares and 100% (the maximum is 150%) vesting of grants made.

The movements in the number of phantom shares granted are set out below.

Statement of changes in conditional phantom shares (VIP-om)

In numbers of shares	2016	2015
Outstanding at 1 January	183,821	207,021
Granted	312,335	92,467
Rebasing	137,899	-
Exercised	-76,733	-89,416
Forfeiture by termination of employment during the year	-8,909	-3,581
Forfeiture by performance criteria during the year	-23,109	-22,670
Outstanding at 31 December	**525,304**	**183,821**

All conditional phantom shares were fully unvested on 31 December 2016 and 31 December 2015. The conditional shares granted in 2016 relating to the compensation of participants for the decrease in value due to the rights issue are presented in line item rebasing.

(9) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Delta Lloyd's share of net assets, including the contingent and other liabilities, of the acquired subsidiary on the date of acquisition. The carrying amount of goodwill for each cash-generating unit, or combination of cash generating units, is reviewed annually, or more frequently when circumstances or events indicate a possible impairment. Goodwill is impaired to the recoverable amount (the higher of the fair value less costs to sell or value in use) if the recoverable amount is lower than the carrying value. The impairment is charged as an expense to the income statement (other operating expenses).

Impairment of goodwill regarding life insurance activities

In 2015 the minimum recoverable amount related to life insurance activities was determined by the embedded value of the activities concerned. The embedded value was calculated using estimates of future distributable profits arising from the existing portfolio of an insurance company. The embedded value provided a prudent estimate of the value in use (VIU), as it does not include the value of future new business.

Since the introduction of Solvency II, the embedded value is no longer calculated within Delta Lloyd. As such the impairment methodology was replaced by a Solvency II based model in 2016 described below.

Step 1: A capital measure as calculated under the Solvency II regime is used as a step 1 of impairment test for each Life Cash Generating Unit ("CGU"). The value does not include the value of future business. Goodwill will be tested for impairment as follows:

1. If the carrying amount of the Life CGU is less than the amount of the Solvency II capital measure of the Life CGU, there is no impairment indication;
2. If the carrying amount of the Life CGU is greater than the amount of the Solvency II capital measure of the Life CGU, there is a possibility that the goodwill might be impaired which is tested further in step 2 of impairment test.

Step 2: A capital measure under the Solvency II regime plus future value new business is used as aan estimate of value in use. In step 2, the present value of the expected future value new business for each forecast year is added to the value calculated in step 1. The forecasted values of new business are discounted at a risk adjusted discount rate. The risk adjusted discount rate selected was based on the cost of equity; more specifically the cost of equity was estimated using the Capital Asset Pricing Model ("CAPM").

Calculating the recoverable amount for ABN AMRO Verzekeringen takes into account the duration of the contract with ABN AMRO Bank.

Impairment of goodwill regarding general insurance and other operating activities

The recoverable amount relating to general insurance and other operating activities is defined as the higher of the VIU and fair value less costs to sell. The discounted cash flow method is used to establish the VIU and fair value less costs to sell. This uses net-of-tax forecasts of cash inflows and cash outflows incurred to generate the cash inflows. Factors at the basis of the expected future cash flows include historical growth, agreed business plans for the activities, expected working and fixed capital requirements and historical and expected levels of operating profits. In addition, the asset's ability to generate cash flows beyond the explicit forecast period is included by establishing a terminal value. The future cash flows and the terminal value are then discounted using a risk-adjusted discount rate (often the weighted average cost of capital or the cost of equity), which accurately reflects the inherent risk of the asset. To avoid double counting, risks that have already been taken into account in determining the cash flows are not included in the discount rate.

The key assumptions used to calculate the recoverable amount of goodwill are:

- Expected cash flows for future periods based on plan figures for a period of three years, similar to the plan period of the cash-generating entity;
- For the years after management's plan period, cash flows are extrapolated using an average growth of 1.27% - 1.51% (2015: between 1.70% - 1.94%) depending on the specific circumstances of the activities; and
- Depending on the activities being valued, the risk adjusted discount rate is 7.7% to 10.0% (2015: 9.6% - 11.0%).

The expected cash flows for future periods are based on the figures for the 2017-2019 plan period. The expected cash flows beyond the plan period are extrapolated based on a growth rate that takes into account analysts' estimates of the increase in gross national product and inflation.

Statement of changes in carrying value of goodwill

In millions of euros	2016	2015
Gross carrying value of goodwill		
At 1 January	352.2	352.2
At 31 December	352.2	352.2
Accumulated impairment		
At 1 January	-83.0	-61.7
Impairment losses	-	-21.2
At 31 December	-83.0	-83.0
Net carrying value of goodwill at 31 December	**269.2**	**269.2**

Goodwill allocation and impairment testing

For impairment testing purposes, goodwill is allocated to cash-generating units by division and operating segment.

Goodwill allocated to cash-generating units

In millions of euros	Delta Lloyd ABN AMRO Verzekeringen Holding BV	Swiss Life NV	Other	Total
Carrying value at 31 December 2016	127.3	131.9	10.0	269.2
Carrying value at 31 December 2015	127.3	131.9	10.0	269.2

The impairment test for ABN AMRO Verzekeringen established a surplus value of € 55 million. The calculated surplus is without the value of new business. The sensitivity to the market interest rate at year-end 2016 is based on available capital sensitivities on the economic balance sheet. A rise of 25 basis points in market interest rates would lead to a fall of € 5 million in the surplus. A fall of 25 basis points in market interest rates would lead to a rise of € 5 million in the surplus. A decrease of the Ultimate Forward Rate to 3.7% would lead to an increase in the surplus of € 0.5 million (due to a larger decrease of the carrying amount then the available capital).

For Swiss Life Belgium the impairment test established a surplus value of € 284 million. The calculated surplus includes the value of new business. The sensitivity to the market interest rate at year-end 2016 is based on available capital sensitivities on the economic balance sheet. A 25 basis points rise in market interest rates would lead to a decrease of € 19 million in the surplus. A 25 basis points fall in market interest rates would increase the surplus by € 21 million. A decrease of the Ultimate Forward Rate to 3.7% would lead to an increase in the surplus of € 11 million (due to a larger decrease of the carrying amount then the available capital). In addition, a sensitivity is performed with regard to the value of new business. An overall decrease of the value new business of 35% would decrease the surplus by € 166 million.

The category Other mainly consists of goodwill related to the acquisition of BeFrank.

(10) AVIF and other intangible assets

Acquired value of in-force business (AVIF)

The present value of future profits on a portfolio of insurance and investment contracts acquired, either directly or through the purchase of a subsidiary, is recognised as an intangible asset. The amortisation on AVIF follows the development of the portfolio to which it is linked. The amortisation charge is part of other operating expenses. The estimated values are adjusted if they differ from earlier estimates. The carrying amount of AVIF is reviewed annually for impairment by including it in the liability adequacy test. Any impairment is charged to the income statement.

Other intangible assets

Other intangible assets include software, customer relationships and distribution channels recognised in relation to an acquisition. An acquisition is initially recognised at fair value (cost price). In subsequent periods, acquisitions are accounted for at cost net of amortisation and impairment. Amortisation and impairment are charged to the income statement. Purchased and proprietary internally developed software are amortised using a straight-line method over their useful lives, up to a maximum of three years. The amortisation charge is included in the income statement under 'Other operating expenses'.

Customer relationships and access to distribution channels, when acquired in a business combination, are capitalised when the definition of an intangible asset is met and when fair value can be measured reliably. When ABN AMRO Verzekeringen was aquired, the access obtained to the ABN AMRO distribution channel was identified as an intangible asset and is being amortised over 30 years. This represents the duration of the agreement with ABN AMRO Bank.

Amortisation periods for other intangible assets are reviewed once a year. The estimated values are adjusted if they differ from previous estimates. Circumstances can also lead to impairments.

Impairment of other non-financial assets

An impairment loss is accounted for in other non-financial assets for the amount by which the carrying amount of the asset exceeds its recoverable amount, whichever is the higher between the assets net realisable value and its value in use. The net realisable value is the fair value less selling expenses. The value in use is the discounted value of the expected future cash flows generated by the asset in question. Assessing whether there is an impairment is done either at the level of the separate asset or at the level of the smallest identifiable cash flow-generating entity.

Carrying value of AVIF and other intangible assets at year-end

In millions of euros	AVIF	Software	Other	Total 2016
Cost	74.5	39.3	142.9	256.7
Cumulative amortisation	-70.8	-31.5	-72.1	-174.3
Cumulative impairment	-	-	-7.5	-7.5
Carrying value	**3.7**	**7.9**	**63.3**	**74.9**

Carrying value of AVIF and other intangible assets at prior year-end

In millions of euros	AVIF	Software	Other	Total 2015
Cost	74.5	33.2	179.3	287.1
Cumulative amortisation	-67.0	-28.3	-100.8	-196.2
Carrying value	**7.4**	**4.9**	**78.5**	**90.9**

AVIF refers to the acquired portfolio value of ABN AMRO Verzekeringen of € 3.7 million (2015: € 7.4 million). AVIF is amortised on a straight-line basis. The remaining amortisation period for the AVIF portfolio at the end of 2016 is one year.

The increase in software (as part of other intangibles) mainly relates to back-office software at Delta Lloyd Life Belgium for € 3.5 million.

The other intangibles mainly consist of the distribution channel acquired as part of the takeover of ABN AMRO Verzekeringen, the carrying value of which at 31 December 2016 amounts to € 53.9 million (2015: € 57.2 million). This item will be amortised over the next 16 years.

The € 25.0 million investment of Delta Lloyd Deelnemingen Fonds is amortised for € 17.5 million. The remaining € 7.5 million was impaired during the year.

(11) Deferred acquisition costs

Acquisition costs comprise fixed and variable costs arising from writing insurance contracts. Acquisition costs relating to life insurance contracts and investment contracts are amortised systematically over a term no longer than the period expected to recover them from future margins, subject to a maximum of 10 years. Acquisition costs relating to general insurance contracts are amortised over the term in which premiums are earned. Deferred acquisition costs are reviewed by business segment at the end of each reporting period. They are impaired if they are no longer considered recoverable under the liability adequacy test for insurance contracts.

Deferred acquisition costs at year-end

In millions of euros	Life	General	Total 2016	Life	General	Total 2015
Participating insurance contracts	20.7	-	20.7	23.4	-	23.4
Non-participating insurance contracts	24.0	44.2	68.2	31.2	38.3	69.5
Investment contracts	14.2	-	14.2	17.0	-	17.0
Total deferred acquisition costs	**58.9**	**44.2**	**103.1**	**71.6**	**38.3**	**109.9**

(12) Property and equipment

Owner-occupied properties (including those under construction) and equipment are carried at historical cost less accumulated depreciation and impairment. Depreciation and impairment are accounted for through profit or loss. The historical cost of assets that take a long time to develop, and owner-occupied properties in particular, also include capitalised borrowing costs.

Depreciation of property and equipment to their residual values is calculated on a straight-line basis over their estimated useful lives: land and properties under construction (own use) no depreciation, properties 40 years and computer equipment and furniture/fixtures respectively four and five years. The useful life and residual value are reviewed once a year. If the estimated values deviate from previous estimates, adjustments are made.

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

Repairs and maintenance are charged to the income statement in the financial period to which they relate. The cost of major renovations is included in the carrying amount of the asset when it is probable that additional future economic benefits from the existing asset will flow to Delta Lloyd. Major renovations are depreciated over the remaining useful life of the asset concerned.

Carrying value of property and equipment at year-end

In millions of euros	Owner-occupied property	Computer and other equipment	Total 2016	Owner-occupied property	Computer and other equipment	Total 2015
Cost	41.7	134.0	175.7	45.4	126.0	171.3
Cumulative depreciation	-11.3	-108.3	-119.6	-11.4	-101.8	-113.2
Cumulative impairments	-	-3.0	-3.0	-	-3.0	-3.0
Carrying value	**30.4**	**22.6**	**53.1**	**33.9**	**21.2**	**55.1**

The decrease in owner-occupied property is mainly due to regular depreciations and investments. Furthermore there has been a transfer to Investment property because a floor of the own occupied building in Belgium became vacant for rent.

Delta Lloyd has no material financial leases for property and equipment, nor has it leased property and equipment to third parties under operating leases. There are no restrictions on ownership and no property and equipment has been pledged as security for liabilities.

There was no property under construction. As such no related borrowing costs were capitalised in the reporting period.

The fair value of property and equipment is included in section 'Fair value of assets and liabilities'. The fair value of computer and other equipment is not materially different from the carrying value.

(13) Investment property

Investment property (including property under construction) is held for long-term rental yields and is not occupied by Delta Lloyd. Investment property (including property under construction) is measured at fair value, which is supported by market evidence, as assessed by qualified external appraisers. Changes in fair value are recognised in the income statement within net investment income. Borrowing costs on investment property under construction are capitalised until completion.

Statement of changes in investment property at year-end

In millions of euros	Investment property under construction	Investment property - freeholds	Investment property - long-term leaseholds	Investment property - short-term leaseholds	Total
At 1 January 2016	**35.4**	**946.4**	**26.0**	**44.4**	**1,052.2**
Additions	26.5	26.6	0.1	-	53.2
Disposals	-	-4.1	-	-	-4.2
Transfers from/(to) owner-occupied property	-8.5	11.2	8.1	-8.1	2.7
Fair value gains and losses	0.4	58.3	2.3	8.7	69.7
At 31 December 2016	**53.9**	**1,038.4**	**36.5**	**44.9**	**1,173.6**
Cumulatives					
Cost	59.6	617.4	36.8	36.9	750.7
Revaluation	-5.7	421.0	-0.3	8.0	423.0
Carrying value at 31 December 2016	**53.9**	**1,038.4**	**36.5**	**44.9**	**1,173.6**

Statement of changes in investment property at prior year-end

In millions of euros	Investment property under construction	Investment property - freeholds	Investment property - long-term leaseholds	Investment property - short-term leaseholds	Total
At 1 January 2015	**32.1**	**1,401.9**	**49.0**	**42.6**	**1,525.6**
Additions	31.0	48.0	0.2	0.1	79.4
Disposals of subsidairies	-	-151.8	-20.1	-0.7	-172.7
Disposals	-25.4	-377.6	-3.8	-0.3	-407.1
Transfers from/(to) owner-occupied property	-1.3	3.4	-	-	2.1
Fair value gains and losses	-0.9	22.5	0.6	2.7	24.9
At 31 December 2015	**35.4**	**946.4**	**26.0**	**44.4**	**1,052.2**
Cumulatives					
Cost	47.1	583.2	28.6	45.0	703.9
Revaluation	-11.7	363.2	-2.6	-0.6	348.3
Carrying value at 31 December 2015	**35.4**	**946.4**	**26.0**	**44.4**	**1,052.2**

Additions to Investment property under construction in 2016 relates to the purchase of land and the building of new homes.

Investment properties are assessed every half year by qualified external appraisers based on desktop appraisals and a full appraisal is carried out every three years. Each appraisal is also checked by a second appraiser. There is a fixed fee for desktop appraisals and the fee for a full appraisal is a fixed percentage of the rental value. The appraisals are performed in compliance with international valuation standards published by the International Valuation Standards Committee and/or the regulations and standards in the RICS valuation standards prescribed by the Royal Institution of Chartered Surveyors.

The appraisers use the capitalised rental method, supported by the discounted cash flow method, to determine the market values. The table below shows the discount rates used for the three main groups.

Discount rate used

Main group	2016	2015
Residential	6.15% to 8.75%	6.15% to 9.0%
Retail	6.4%	6.9% to 8.5%
Offices	6.4% to 7.9%	6.2% to 15.0%

It has become more difficult to establish market values of Dutch retail and offices due to a lack of a sufficient number of comparable sales transactions. This implies that the degree of uncertainty in the appraisals is greater than usual. The appraisal values reflect the volatility of today's market.

The investment properties are appraised using:

- Current leases, which form the basis of the appraisal;
- A gross initial yield, which is the percentage relationship between annual rental income at year-end and the fair value of the property excluding costs;
- A best estimate of the costs of future renovations and maintenance; and
- In the reporting period no borrowing costs were capitalised (2015: nil).

See section 'Risk management' for the breakdown of the own risk property portfolio in residential, retail and offices.

(14) Associates

Associates

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

Investments in associates are accounted for based on the equity method of accounting. The equity method of accounting is discontinued when Delta Lloyd no longer has significant influence over the investment or when it obtains control, in which case the entity is consolidated.

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

Joint venture

Joint ventures are entities over which Delta Lloyd has joint control. This control is contractually agreed and strategic decisions on financial and operational policies are taken unanimously. Joint ventures are accounted for based on the equity method, starting on the date Delta Lloyd gains joint control until the date on which it ceases to have such control. Currently Delta Lloyd has no joint ventures.

Statement of changes in associates

In millions of euros	31 December 2016	31 December 2015
Carrying value at 1 January	278.9	338.3
Disposals	-213.0	-13.0
Capital withdrawal	-12.5	-63.0
Share of result after tax	-7.5	82.6
Dividends received	-7.4	-26.6
Fair value changes in equity	-1.3	-39.5
Other movements	-0.9	0.2
At 31 December	**36.1**	**278.9**

Disposals in 2016 mainly relate to the sale of Van Lanschot. At the moment of the sale, Delta Lloyd held a 30.2% stake in Van Lanschot at a net equity value of € 212.3 million. The impact of this transaction on the comprehensive income amounted to a realised loss of € 13.9 million. The total impact on profit for the period amounted to a loss of € 19.7 million which includes the release of the revaluation reserve in equity amounting to € -5.8 million. The impact of € 13.9 million on comprehensive income does not include the expenses relating to the sale of Van Lanschot for € 6.4 million.

The capital withdrawals in 2016 relate to the liquidation of Project Holland Fonds CV.

Dividends received mainly relate to the dividends received from Van Lanschot in 2016.

The tables below represent the financial data for Delta Lloyd's principal associates. The figures are based on the most recent financial information on the associates made available to Delta Lloyd. As such, this financial information is not based on the carrying values (including goodwill) initially recognised by Delta Lloyd as a result of the notional purchase price allocation performed on the date when significant influence commenced.

Summarised statement of financial position of principal associates at year-end

In millions of euros	CF I Invest CV
Current assets	60.3
Of which is cash and cash equivalent	0.5
Total assets	60.3
Current liabilities	0.2
Total liabilities	0.2
Net assets	**60.1**

Summarised statement of financial position of principal associates at prior year-end

In millions of euros	Van Lanschot*	Project Holland Fonds CV	CF I Invest CV
Current assets	16,195.4	36.4	57.8
Of which is cash and cash equivalent	1,196.1	-	1.3
Non-current assets	274.4	-	-
Total assets	16,469.8	36.4	57.8
Current liabilities	11,647.4	3.1	0.1
Non-current liabilities	3,475.5	-	-
Total liabilities	15,123.0	3.1	0.1
Net assets	**1,346.8**	**33.3**	**57.7**

* These figures are determined using the half-year results of Van Lanschot as the full year figures were not available at the reporting date.

Summarised statement of comprehensive income of principal associates at year-end

In millions of euros	CF I Invest CV
Revenue	3.3
Dividends received	2.0
Total comprehensive income	2.4

Summarised statement of comprehensive income of principal associates at prior year-end

In millions of euros	Van Lanschot*	Project Holland Fonds CV	CF I Invest CV
Revenue	276.8	15.2	12.2
Interest income	291.3	-	-
Dividend received	-	-	70.1
Depreciation and amortisation	-8.3	-	-
Interest expense	-189.6	-	-
Total comprehensive income	24.5	13.2	9.2

* These figures are determined using the half-year results of Van Lanschot as the full year figures were not available at the reporting date.

Reconciliation of summarised financial information to carrying amount at year-end

In millions of euros	CF I Invest CV
Net asset	60.1
Proportion of ownership interest	21.74%
Group share of net assets of associate, excluding fair value adjustment	13.1
Undistributed capital	21.8
Fair value adjustment	-
Carrying amount	**34.8**

Reconciliation of summarised financial information to carrying amount at prior year-end

In millions of euros	Van Lanschot*	Project Holland Fonds CV	CF I Invest CV**
Net asset	1,368.7	33.3	57.7
Proportion of ownership interest	30.23%	43.49%	21.74%
Group share of net assets of associate, excluding fair value adjustment	413.7	14.5	12.5
Undistributed capital	-	-	26.9
Fair value adjustment	-192.2	-	-
Carrying amount	**221.5**	**14.5**	**39.4**

* These figures are determined using, and adjusting where necessary, the results Van Lanschot reported at half-year and includes the estimated effects of the Q3 update.

** A separate line item is included to reflect undistributed capital from CF I Invest CV to Delta Lloyd as part of the carrying amount of this associate. Comparative figures have been adjusted accordingly.

The carrying amount of CF I Invest CV includes undistributed capital from CF I Invest CV to Delta Lloyd, which is currently held in escrow. The amount is expected to be settled in the first half of 2017.

The Netherlands is the primary place of business of Delta Lloyds's principal associate (2015: three principal associates). The investments in principal associates include stakes in investment funds, which are required to maintain a minimum capital based on regulatory directives or articles of association of the fund itself. Such restrictions can affect the ability of these principal associates to transfer funds in the form of cash dividends, or repayments of loans or advances, and therefore, there can be no assurance that these restrictions will not become a limitation in the future.

There are no unrecognised shares of losses in associates.

Individual investments in other associates are not considered material and are therefore not included in the statement of Delta Lloyd's principal associates and joint ventures.

Summarised information of other associates at year-end

In millions of euros	2016	2015*
Post tax profit or loss	-0.1	52.1
Total comprehensive income	**-0.1**	**52.1**
Carrying amount	1.2	3.4

* The undistributed capital from CF I Invest CV to Delta Lloyd is no longer reflected as part of the carrying amount of other associates. Comparative figures have been adjusted accordingly.

(15) Debt and equity securities

Investments classified as 'held for trading', 'other than trading' and 'available for sale' are measured at fair value. The fair value of investments is measured using the fair value hierarchy as described in section 'Fair value of assets and liabilities'. Changes in the fair value of investments 'held for trading' and 'other than trading' are accounted for in the income statement in the period in which the value change occurs. Changes in the fair value of investments classified as available for sale, other than impairment losses and relevant foreign exchange gains and losses, are recorded in a specific investment revaluation reserve within equity. When investments classified as available for sale are sold or impaired, the accumulated fair value adjustments are transferred out of the revaluation reserve to the income statement.

Purchases and sales of investments are recognised at fair value when the trade occurs; i.e. the date that Delta Lloyd commits to purchase or sell the assets. Transaction costs directly attributable to the initial acquisition of investments are recognised as follows:

- Transaction costs for investments designated at fair value through profit or loss are included in the income statement; and
- Transaction costs for investments designated as available for sale are included in the initial measurement. Transaction costs for debenture loans are recognised as part of amortisation in the income statement using the effective interest rate method. Transaction costs for equity instruments are recognised in the income statement on sale.

The interest amount recognised in the income statement for debenture loans and other fixed-income investments at fair value, including transaction costs, is set annually based on amortised cost. The difference between the initial value and future repayment is recognised through profit or loss as amortisation, using the effective interest rate method. The initial amortised cost is calculated as the fair value including transaction costs.

Delta Lloyd assesses on each reporting date whether objective evidence exists that a financial asset available for sale is impaired. In the case of equity instruments classified as 'available for sale', this means a significant or prolonged decline in the fair value of the security below its cost. Significant is defined as at least 20% over an uninterrupted period of six months or more than 40% on the reporting date.

'Prolonged' is defined as measured below cost for more than a year. Delta Lloyd uses a graduated scale for the period between six months and one year and for a decline in value of up to 20% to determine whether a financial asset available for sale is impaired. If the impairment proves to be structural, Delta Lloyd may decide to recognise it despite the period being less than six months. Impairment losses on equity securities cannot subsequently be reversed through the income statement. If a financial asset has been impaired, any future reductions in value, irrespective of the amount, are recognised through the income statement.

Debt securities available for sale are impaired if there is objective evidence that they are unlikely to be redeemed or if it is known that the issuer is in financial difficulty. If such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and current fair value (excluding previously recognised impairment losses) is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as 'available for sale' increases and the increase can be related to an objective event occurring after the recognition of the impairment loss, the impairment is reversed through the income statement.

Financial assets carried at fair value through profit or loss are not subject to impairment testing. The fair value of these assets already reflects possible impairments.

Debt and equity securities for own risk

In millions of euros	2016	2015
Debt securities	29,535.2	28,342.1
Equity securities	1,123.9	2,169.3
Total	**30,659.2**	**30,511.3**

A part of the debt securities amounting to € 216.7 million is pledged as non-cash collateral (2015: € 233.2 million).

Compared to year-end 2015, the value of the debt securities increased, mainly due to fair value gains related to the decrease in market interest rates. The value of the equity securities decreased compared to year-end 2015, mainly due to disposals as a result of the de-risking policy under the SII-regime.

Fair value of debt and equity securities for own risk by category at year-end

In millions of euros	Debt securities	Equity securities	Total
Recognised at fair value through profit or loss other than trading	27,999.9	492.2	28,492.1
Available for sale	1,535.3	631.7	2,167.0
Total	**29,535.2**	**1,123.9**	**30,659.2**

Fair value of debt and equity securities for own risk by category at prior year-end

In millions of euros	Debt securities	Equity securities	Total
Recognised at fair value through profit or loss other than trading	26,824.0	1,133.8	27,957.8
Available for sale	1,518.1	1,035.5	2,553.6
Total	**28,342.1**	**2,169.3**	**30,511.3**

Accumulated impairment of debt securities available for sale

In millions of euros	2016	2015
At 1 January	14.1	13.5
Impairment charges during the period	0.4	0.8
Reversal of impairment charges during the year	-0.3	-
Disposals	-9.2	-0.1
Other flows / adjustments not recognised as income/expense	-	-
At 31 December	**4.9**	**14.1**

The amount of € -9.2 million concerns the release of the impairment provision relating to investments sold by Delta Lloyd Bank.

Accumulated impairment of equity securities available for sale

In millions of euros	2016	2015
At 1 January	316.4	492.4
Impairment charges during the period	14.0	22.7
Disposals	-41.2	-198.6
At 31 December	**289.3**	**316.4**

Repurchase agreements

Delta Lloyd had no repurchase agreements on debt securities on 31 December 2016 (2015: nil).

Investments in unconsolidated structured entities

Delta Lloyd's investments in unconsolidated structured entities such as RMBSs, ABSs and CDO/CLOs are presented in the line item 'Debt securities' of the statement of financial position. Delta Lloyd did not recognise other interests in unconsolidated structured entities such as commitments, guarantees, provisions, derivative instruments or other liabilities.

Delta Lloyd did not provide financial or other support to unconsolidated structured entities nor does it intend to provide financial or other support to unconsolidated structured entities in which it has an interest or previously had an interest.

In terms of the individual amount per entity, the composition of Delta Lloyd's structured entities portfolios is widely dispersed. This is shown in the following table together with the number of individual entities.

Overview of own risk investments in unconsolidated structured entities

In millions of euros	Number of entities at year-end	Carrying amount at year-end	Number of entities at prior year-end	Carrying amount at prior year-end
EUR 0-10 million	39	146.5	54	170.8
EUR 10-20 million	4	48.8	9	121.5
EUR 20-30 million	-	-	1	26.6
EUR 30-40 million	-	-	-	-
EUR > 40 million	-	-	1	49.5
Total	**43**	**195.3**	**65**	**368.5**

The table below presents the carrying amount of the investments in unconsolidated structured entities in the reporting period, as well as the total income and losses recognised in this period.

Investments in structured entities type - carrying amount, income and losses at year-end

In millions of euros	Total carrying amount debt securities	Interest income	Realised / Unrealised gains and losses	Total income	Losses recognised in profit/loss
Mortgage-backed securitisations (RMBS)	160.4	1.0	-6.1	-5.1	-9.4
Asset-backed securities (ABS)	34.9	6.3	-0.2	6.1	-27.6
CDOs and CLOs	-	-	-	-	-0.4
Total	**195.3**	**7.3**	**-6.3**	**1.0**	**-37.4**

Investments in structured entities type - carrying amount, income and losses at prior year-end

In millions of euros	Total carrying amount debt securities	Interest income	Realised / Unrealised gains and losses	Total income	Losses recognised in profit/loss
Mortgage-backed securitisations (RMBS)	287.1	2.8	-2.8	-	-3.5
Asset-backed securities (ABS)	81.4	9.8	-4.0	5.8	-10.5
CDOs and CLOs	-	-	-	-	-0.6
Total	**368.5**	**12.6**	**-6.8**	**5.8**	**-14.6**

For the most significant structured entities (2016: > € 10.0 million, 2015: > € 20.0 million), the maximum exposure to loss for Delta Lloyd by type of structured security is presented. The table presents a comparison of Delta Lloyd's interest with the total assets of those unconsolidated structured entities. The amounts shown as total assets are based on the most up-to-date available information.

Maximum exposure to loss by type of structured security and by seniority of interest for significant structured entities at year-end

In millions of euros				Note structure of structured entity			
Security name	Type	Subordinated interest	Mezzanine interest	Senior Interest	Most Senior Interest	Total	Delta Lloyd's exposure to loss*
CORDR 4 B	RMBS	-	238.4	858.3	-	1,096.7	17.4
SIENA 2010-7 A3	RMBS	102.5	817.6	1,266.8		2,186.9	11.1
LUSI FRN 1 A	RMBS	10.0	85.0	143.6	-	238.6	10.2
LUSI FRN 2 A	RMBS	9.0	80.0	156.2	-	245.2	10.1
Total		**121.5**	**1,221.0**	**2,425.0**	**-**	**3,767.5**	**48.8**

* Only senior exposure.

Maximum exposure to loss by type of structured security and by seniority of interest for significant structured entities at prior year-end

In millions of euros				Note structure of structured entity (notional values)			
Security name	Type	Subordinated interest	Mezzanine interest	Senior Interest	Most Senior Interest	Total	Delta Lloyd's exposure to loss*
SIENA 2010-7 A3	RMBS	-	924.2	1,666.9	-	2,591.1	49.5
EMAC 2007 0148	RMBS	2.8	45.2	654.9	-	702.8	26.6
Total		**2.8**	**969.4**	**2,321.8**	**-**	**3,293.9**	**76.1**

* Only senior exposure.

For equity and debt securities, loans and receivables, the maximum exposure to loss is the current carrying value of these interests. The maximum exposure to loss does not take into account the effects of any of Delta Lloyd's hedging activities designed to reduce that exposure to loss.

Delta Lloyd's significant investments in structured entities can be classified as senior interests.

The maximum exposure to loss of the significant investments in structured entities is not reduced by any collateral.

(16) Derivatives

Delta Lloyd uses derivatives as part of its asset and liability management to hedge financial risks and insurance risks. Financial risk derivatives (e.g. interest, currency, equity and inflation) hedge financial risks in financial assets and liabilities arising from market movements. Insurance derivatives hedge risks with regard to longevity. Derivative financial instruments include foreign exchange contracts, interest rate futures, currency and interest rate swaps, currency and interest rate options (both written and purchased), swaptions and other financial instruments that derive their value mainly from underlying interest rates, foreign exchange rates, commodity values or equity instruments. All derivatives are initially recognised in the statement of financial position at fair value, which usually represents their cost. They are subsequently measured at their fair value through profit or loss. The fair value is measured using the fair value hierarchy as described in section 'Fair value of assets and liabilities'. Derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative. The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities on the statement of financial position as they do not represent the potential gain or loss associated with such transactions.

Derivative contracts may be traded on an exchange or over-the-counter (OTC). Exchange-traded derivatives are standardised and include certain futures and option contracts. OTC derivative contracts are individually negotiated between contracting parties and include forwards, swaps, caps and floors.

Fair value hedge accounting

Delta Lloyd uses derivatives to partially hedge the market value risk of certain financial assets due to interest rate movements. Fair value hedge accounting can be used for these derivatives in accordance with IAS 39, provided they have been designated for this and specific conditions are met. The EU carve-out on hedge accounting, which allows for more leniency when calculating hedge effectiveness, has been used by Delta Lloyd Bank since 1 May 2015, and for Delta Lloyd's residential mortgage warehouse Amstelhuys since 1 January 2016.

Changes in the fair value of derivatives designated as fair value hedges that meet the set conditions are recognised in the income statement under 'result from derivatives'. Changes in the fair value of the hedged assets are disclosed under the same heading, to the extent that those changes relate to the hedged risk. The net effect of this is that only the ineffective part of the hedge influences the result. An adjustment to the carrying value of a hedged financial instrument is amortised and credited or charged to the income statement under 'result from derivatives' from the moment the carrying value is first adjusted and during the anticipated remaining life of the hedged instrument.

Derivatives not included in a hedge relationship

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

Derivatives for own risk at year-end

In millions of euros	Contract / notional amount 31 December 2016	Fair value asset 31 December 2016	Fair value liability 31 December 2016	Contract / notional amount 31 December 2015	Fair value asset 31 December 2015	Fair value liability 31 December 2015
OTC foreign exchange forwards*	1,990.6	6.7	33.8	4,347.3	18.2	27.3
Interest rate contracts						
OTC						
Interest rate and currency swaps held for fair value hedge accounting	1,131.9	2.0	49.0	1,461.3	3.9	174.5
Interest rate and currency swaps not held for fair value hedge accounting	14,355.5	2,089.1	42.5	16,037.0	1,456.0	142.4
Options	2,990.0	65.2	0.5	2,332.0	44.8	0.8
Exchange-traded						
Futures	1,451.2	-	-	818.2	-	-
Total interest rate contracts	19,928.7	2,156.4	92.0	20,648.5	1,504.7	317.8
Equity/index contracts						
OTC						
Swaps	3,736.6	10.2	662.9	3,866.6	-	643.4
Options	626.5	0.5	-	232.4	2.1	-
Exchange-traded						
Futures	-	-	-	0.2	-	-
Total equity/index contracts	4,363.1	10.6	662.9	4,099.2	2.1	643.4
Longevity derivatives	-	6.7	-	-	29.0	-
Derivatives related to life settlement	-	-	-	-	118.9	-
Credit default swaps	366.4	1.9	1.4	473.0	3.1	3.4
Total	**26,648.8**	**2,182.3**	**790.0**	**29,568.0**	**1,675.9**	**991.9**

* The comparative figure of the notional amounts has been adjusted; this has no impact on the fair values of underlying derivatives, the financial position or any other disclosures in this report.

Delta Lloyd has applied an overnight indexed swap (OIS) curve to measure fully cash-collateralised derivatives. The projected cash flows of these derivatives are discounted using the euro overnight index average (EONIA) swap curve, which reflects the fair value of future overnight interest rates and is regarded as the best estimate of a risk-free interest rate.

In June 2015, Delta Lloyd completed a second transaction with the Reinsurance Group of America (RGA) to further reduce the longevity risk related to the Dutch life insurance portfolio. The first contract had an entry date of 1 January 2014. This second contract is effective retrospectively from 1 January 2015, and relates to underlying longevity reserves of approximately € 11.0 billion (first contract approximately € 12.6 billion). It will reduce the financial effects should policyholders live longer than expected over the next seven years (respectively five years for the 2014 contract). Both longevity derivatives do not protect against changes in the methodology of future forecast tables or unexpected changes in future mortality rates that occur after the contractual period. At maturity date, RGA will pay the difference between the value of the underlying portfolio based on both the actual mortality (based on an index) during the contract term and its impact on future mortality (commutation mechanism of 80 years for the first and 72 years for the second transaction) and the value of the underlying portfolio based on the current expected mortality. There is a threshold, a minimum reduction of mortality to be achieved in order to receive payment (the attachment point). There is also a limit beyond which no additional payment takes place (detachment point). At this detachment point, Delta Lloyd will receive the maximum payoff of € 450.0 million for the first transaction and € 350.0 million for the second.

With regard to the longevity derivatives, the value decreased because of the updated figures from Statistics Netherlands in July 2016 on the realised mortality rates in 2015. These realised mortality rates were higher than expected and therefore the value of the derivatives decreased, as the likelihood of an obligation for the counterparty to pay out on expiration date is therefore reduced. The published mortality rates had a negative impact of the value of these derivatives of € 19.3 million.

The credit risk for most of the derivative positions is nil as they are fully cash collateralised.

As at 30 June 2016 the derivatives related to life settlement contracts, were classified as an asset held for sale (see section 'Discontinued operations and assets held for sale'). The actual sale of the collateral was concluded in October 2016 for a total amount of € 102.8 million, resulting in a loss of € 15.7 million. The remaining receivable of € 15.2 million in relation to the liquidation is recognised as a receivable (see section 'Receivables and other financial assets').

The result for derivatives held for fair value hedge accounting was € -12.4 million (2015: € 10.7 million). The result for the hedged mortgages arising from the hedged interest rate risk was € -4.6 million (2015: € -2.9 million).

Fair value hedge accounting is applied within the segments Bank and Corporate and other activities. Fair value hedge accounting is applied for each period and in accordance with the dollar offset method.

(17) Loans and receivables

Loans and receivables with fixed maturities, including policyholder loans, issued loans, mortgage loans, and securitised mortgages and loans are recognised on the statement of financial position when cash is advanced to borrowers. Measurement of these loans and receivables, excluding loans initially designated as 'at fair value through profit or loss', is based on amortised cost, using the effective interest rate method and taking impairments into account where necessary. To the extent that loans and receivables are not collectible, they are written off as impaired. Any subsequent recoveries are credited to the income statement.

Certain securitised mortgages and derivatives and related financial liabilities are managed on the basis of fair value. Delta Lloyd also evaluates their performance on the basis of fair value, in line with its risk strategy. The securitised mortgages are also recognised as financial assets at fair value through profit or loss. The fair value is measured using the fair value hierarchy as described in section 'Fair value of assets and liabilities'.

A financial asset or a group of financial assets carried at amortised cost is considered to be impaired when there is objective evidence of impairment due to events occurring after the date of the initial recognition (i.e. a 'loss event') and when that event has an impact on estimated future cash flows. Objective evidence that a financial asset or a group of assets is impaired includes observable data about the following loss events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or repeated delinquency in payment of interest or principal;
- The lender entering bankruptcy or a financial reorganisation;
- The disappearance of an active market for that specific asset because of financial difficulties; and
- Observable data indicating a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified based on the individual financial assets in Delta Lloyd, including adverse changes in the payment status of Delta Lloyd's borrowers and national or economic conditions that correlate with defaults on Delta Lloyd's assets.

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

If there is objective evidence that an impairment loss has occurred on loans and receivables carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate. Future credit losses that have been incurred are not taken into account. The impairment is recognised in the income statement. If a financial investment has a variable interest rate, the discount rate for measuring the impairment loss is the current effective interest rate determined in the contract. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related to an event occurring after the impairment was recognised, the previously recognised impairment is reversed and accounted for in the income statement.

Loans and receivables at year-end

In millions of euros	2016	2015
Loans at fair value through profit or loss	5,758.8	5,235.9
Loans and receivables at amortised cost	13,392.5	10,676.9
Total	**19,151.3**	**15,912.7**

A large part of the increase in the line item Loans and receivables at amortised cost in 2016 is due to the reclassification of the investments at policyholders' risk relating to saving mortgages to 'Other loans own risk amortised cost' for an amount of € 1,659.5 million (see section 'Investments at policyholders' risk'.

The table below shows the loan-to-market value (LTMV) of the standard and securitised mortgages. The LTMV is the residual amount compared with the sale value in a private sale with vacant possession. The NHG mortgage portfolio is secured on annuity basis.

Loan-to-market value at year-end

In percentages	31 December 2016	31 December 2015
NHG < 100%	28%	21%
NHG > 100%	18%	25%
< 70%	16%	13%
70% - 90%	17%	14%
90% - 100%	7%	6%
100% - 110%	6%	6%
110% - 120%	5%	7%
> 120%	3%	8%
Total	**100%**	**100%**

Almost all mortgages relate to residential properties. Of the mortgages at 31 December 2016, 55.08% (2015: 44.88%) have a loan-to-value ratio less than 90%. A revised calculation method is being used since 30 June 2016, resulting in a slight increase in the figure. Comparative figures are adjusted accordingly. Dutch mortgages that are guaranteed through the government's national mortgage guarantee scheme ("Nationale Hypotheek Garantie") make up 36.87% (2015: 39.54%) of the residential mortgage portfolio at 31 December 2016. No new mortgages were issued with a loan-to-value ratio exceeding 102% without the applicant pledging additional collateral. No derivative instruments were contracted to mitigate any credit risk related to mortgage loans. Delta Lloyd does not believe hedging is required, given the relatively small credit risk exposure.

Delta Lloyd commits to proactively helping its customers prevent and resolve their financial difficulties. This commitment stems from Delta Lloyd's duty of care to its customers throughout the entire mortgage product cycle. Forbearance measures are taken in cases where customers temporarily experience:

- Double housing costs by offering, in which case Delta Lloyd gives customers the option to rent out the property, but under strict conditions;
- The threat of getting into financial difficulty, in which case Delta Lloyd provides information offering temporary or permanent solutions; or
- Financial problems resulting from a permanent decrease in income, in which case Delta Lloyd restructures the mortgage.

The table below presents an overview of the gross carrying amount of loans and receivables for which measures have been taken to diminish the financial difficulties of customers, or to mitigate the risk of financial difficulties.

Overview of forborne assets at year-end

In millions of euros		Performing assets		Non-performing assets			
	Gross carrying amount	Temporary modification	Permanent modification	Temporary modification	Permanent modification	Total forborne assets	Forbearance ratio
Mortgages	14,293.8	87.1	53.8	30.2	2.9	174.1	1.2%
Total	**14,293.8**	87.1	53.8	30.2	2.9	174.1	**1.2%**

Overview of forborne assets at prior year-end

In millions of euros		Performing assets		Non-performing assets			
	Gross carrying amount	Temporary modification	Permanent modification	Temporary modification	Permanent modification	Total forborne assets	Forbearance ratio
Mortgages	13,266.1	0.7	6.1	3.0	28.8	38.5	0.3%
Total	**13,266.1**	**0.7**	**6.1**	**3.0**	**28.8**	**38.5**	**0.3%**

Forborne assets have been recorded since 2014. As mortgage loans have a long duration, the total amount of forborne assets is expected to increase because the forborne assets of past periods can continuously remain part of the total outstanding balance. Most of the 2014 and 2015 forborne assets are also included in the balance at year-end 2016. As of 2015, mortgage loans with payment arrears of more than six months that emerged over the past year are included. Delta Lloyd's forbearance policy was fine-tuned in 2016, which also caused an increase in forborne assets.

Loans recognised at fair value through profit or loss

Loans recognised at fair value through profit or loss consists mainly of mortgage assets that have first priority mortgage rights. Second ranking mortgages are only granted when the first priority mortgage assets are granted by Delta Lloyd.

Loans at fair value through profit or loss include € 5,642.3 million of mortgages (2015: € 5,106.6 million). Since 2016, Delta Lloyd uses the top-down approach for the valuation of its Dutch residential mortgages. Before, Delta Lloyd used the bottom-up approach with an adjustment to reach the same result as using the top-down approach. This meant that the top-down approach was already leading and therefore the change in approach had no impact on Delta Lloyd's results or shareholders' returns. Some further refinements of the model resulted in a profit of € 18.0 million.

Of the fair value gains and losses on loans at fair value through profit or loss, € 7.8 million (cumulative € 22.9 million) is attributable to changes in credit risk. The change, during the period and accumulated, in the fair value of the loans attributable to changes in the credit risk of the financial asset is determined based on a comparison between the applied credit spread between year-end 2016 and 2015 at instrument level. The credit delta in basis points was multiplied by the basis point value figure.

The revaluation in 2016 of loans recognised at fair value through profit or loss was € -6.5 million (2015: € 18.6 million).

Since July 2016, Delta Lloyd Levensverzekering has used a structured entity to invest in a portfolio of Dutch mortgages originated by Rabobank. This portfolio is called 'Share Debt Programme II B.V.' and it consists of € 500.0 million individual residential mortgages at an average loan to value of 80%.

Loans and receivables recognised at amortised cost

Loans and receivables at amortised cost for own risk at year-end

In millions of euros	2016	2015
Loans to policyholders	269.8	232.4
Loans to banks	125.2	108.7
Loans and advances to clients and intermediaries	19.9	20.0
Issued loans	4,326.1	2,156.3
Total loans and advances	4,741.0	2,517.4
Securitised mortgages	1,501.8	1,318.5
Non-securitised mortgages	7,149.7	6,841.0
Total mortgages	8,651.5	8,159.4
Total loans and receivables	**13,392.5**	**10,676.9**
Terms of loans and receivables		
Less than one year	371.7	44.4
More than one year	13,020.8	10,632.5
Total	**13,392.5**	**10,676.9**

In 2016, mortgages for an amount of € 1,195.4 million (2015: € 1,029.7 million) were granted and an amount of € 1,031.0 million (2015: € 902.5 million) was redeemed.

Amortisation of the fair value of hedged positions was € 3.0 million (2015: € -0.3 million) for ordinary mortgages and € 22.1 million (2015: € 33.9 million) for securitised mortgages making up a total of € 25.0 million (2015: € 33.7 million).

The issued loans increased due to the reclassification of investments at policyholders' risk to Other loans own risk of ABN AMRO Levensverzekeringen to align with Delta Lloyd classifications. The reclassification of € 1,659.5 million has no effect on the shareholders' funds and income statement.

Included in the issued loans is a deferred payment of € 204.2 million (2015: € 179.1 million) relating to the sale of the private equity portfolio. The amount is expected to settle in 2017. This deferred payment was transferred from other receivables in 2016 (see section 'Receivables and other financial assets'). The sale of the private equity security classified as held for sale was finalised in the first quarter of 2016. The amount is expected to settle in February 2018.

Accumulated impairment of loans and receivables at amortised cost

In millions of euros	2016	2015
At 1 January	55.2	61.1
Impairment charges during the period	15.9	27.4
Reversal of impairment charges during the year	-14.8	-26.9
Disposals	-2.5	-6.4
At 31 December	**53.8**	**55.2**

Impairment for the period is part of investment income. The reversal of impairment charges during the year were higher in 2015 as a result of the liquidation of a participation of Delta Lloyd Vastgoed Ontwikkeling BV.

The gross value of loans on an individual basis on which an impairment loss is recognised is € 94.0 million (2015: € 110.3 million). The impairment recognised on these loans was € 3.1 million (2015: € 4.7 million). Loans which are fully impaired are not taken into account. The value of the collateral relating to these loans was € 93.0 million (2015: € 103.5 million). The collateral is measured mainly on the basis of the original appraisal value when the loan was granted. The collateral consists mainly of mortgaged properties. Collateral for loans that have not been impaired is also mainly made up of mortgaged properties.

Accrued interest on loans and receivables at amortised cost of € 0.0 million (2015: € 1.0 million) was recognised with regard to financial assets subject to individual impairment.

(18) Investments at policyholders' risk

Delta Lloyd classifies and measures its investments at policyholders' risk as financial assets at fair value through profit or loss.

Carrying value of financial investments at policyholders' risk

In millions of euros	2016	2015
Debt securities	4,739.9	4,417.9
Equity securities	8,384.3	9,847.5
Derivatives	221.0	154.6
Receivables and other financial assets	39.5	25.8
Accrued interest and prepayments	53.4	58.4
Cash and cash equivalents	93.5	99.8
Total	**13,531.7**	**14,604.0**
The associated liabilities are:		
Unit-linked contracts classified as insurance contracts	10,958.3	12,591.8
Unit-linked contracts classified as investment contracts	1,766.9	1,358.1
Derivatives liabilities	10.6	21.7
Other*	88.1	79.2
Total	**12,823.8**	**14,050.7**

* Although included in the balance sheet, this item was previously not disclosed in here.

The difference between the total assets and the associated liabilities is mainly due to the elimination of the Delta Lloyd pension contract at group level (as explained in section 'Pension obligations'), offset by specific investment funds for own risk that Delta Lloyd Levensverzekering forms for unit-linked clients and separate accounts, given the guarantees issued. Additionally, the assets related to the guarantees issued by Delta Lloyd on the unit-linked contracts and separate accounts are presented as own risk investments. Timing in cashflows on the related current accounts also impact the difference presented.

Compared to year-end 2015, the value of the debt securities at policyholders' risk increased, mainly due to fair value gains related to the decrease in market interest rates. The value of the equity securities at policyholders' risk decreased compared to year-end 2015, mainly due to the reclassification of investments at policyholders' risk relating to saving components of saving mortgages to 'Other loans own risk at amortised costs' (previously classified as equity securities within the investments at policyholder's risk). This portfolio represents the ABN AMRO Levensverzekering for which a different classification was presented in previous years. This alignment was carried out to be able to present one accounting policy for assets relating to saving mortgages. The total fair value amount of the reclassification is € 1,994.2 million.

(19) Third party interests in consolidated investment funds

Delta Lloyd classifies and measures its investments for third parties as financial assets at fair value through profit or loss.

Carrying value of financial investments for third party interests in consolidated investment funds at year-end

In millions of euros	2016	2015
Debt securities	1,234.4	1,669.8
Equity securities	1,240.8	1,619.4
Derivatives assets	-0.4	0.7
Receivables and other financial assets	29.1	26.5
Accrued interest and prepayments	14.6	22.7
Cash and cash equivalents	24.9	32.1
Total	**2,543.5**	**3,371.2**
The associated liabilities are:		
Third party interests in consolidated investment funds	2,543.5	3,371.2

(20) Receivables and other financial assets

Receivables and other financial assets at year-end

In millions of euros	2016	2015
Receivables from policyholders	415.4	534.1
Receivables from intermediaries	198.1	174.0
Deposits with ceding undertakings	10.5	10.2
Plan assets	18.9	20.8
Other receivables	433.6	416.8
Other financial assets	118.3	221.0
Total	**1,194.8**	**1,376.8**
Expected to be settled within one year	1,174.8	1,175.0
Expected to be settled in more than one year	20.0	201.8
Total	**1,194.8**	**1,376.8**

Concentrations of credit risk regarding receivables are limited due to the size and nature of Delta Lloyd's operations.

See section 'Risk management' for an analysis of receivables and other financial assets adjusted for impairments, and an analysis of payment arrears regarding receivables and other financial assets.

For plan assets see section 'Pension obligations'.

The decrease in receivables and other financial assets is partly related to other financial assets as less collateral is held due to lower derivative positions.

Included in the other receivables expected to be settled in more than one year at 31 December 2015 is a deferred payment of € 179.1 million relating to the sale of the private equity portfolio. This deferred payment was transferred to the loans and receivables in 2016 (see section 'Loans and receivables').

Included in the other receivables are the remaining assets of € 15.6 million relating to the liquidation of the derivatives related to life settlement which were obtained as collateral (see section 'Derivatives').

(21) Share capital

The company's ordinary and preference share capital is as follows:

Share capital at year-end

In millions of euros	2016	2015
912,365,110 ordinary shares with a nominal value of € 0.20 each (2015: 360,000,000)	182.5	72.0
15,000,000 convertible preference shares A with a nominal value of € 0.20 each (2015: 15,000,000)	3.0	3.0
927,365,110 convertible preference shares B with a nominal value of € 0.20 each (2015: 375,000,000)	185.5	75.0
Total authorised share capital of the company	**370.9**	**150.0**
461,332,448 ordinary shares with a nominal value of € 0.20 each (2015: 228,614,612 with a nominal value of € 0.20 each)	92.3	45.7
Total issued share capital of the company	**92.3**	**45.7**
The 10,021,495 (2015: 10,021,495) outstanding convertible preference shares A with a nominal value of € 0.20 each are recognised as a convertible loan.	2.0	2.0

The Articles of Association were amended on 11 April 2016, after the Extraordinary General Meeting on 16 March 2016 approved the amendment of the Articles of Association to increase the authorised share capital due to the rights issue.

Ordinary shares have equal ranking. All the ordinary shares carry the same rights to dividends and other distributions declared, made or paid by the company.

The shares in issue were fully paid-up, and each share gives the bearer the right to cast one vote.

Statement of changes in ordinary shares

In numbers	2016	2015
At 1 January	228,614,612	199,330,887
Issue of shares	227,567,943	19,933,087
Stock dividend	5,149,893	9,350,638
At 31 December	**461,332,448**	**228,614,612**

The rights issue of € 650.0 million was approved at the Extraordinary General Meeting of Shareholders held on 16 March 2016.

Shortly thereafter, Delta Lloyd issued 227,567,943 new ordinary shares with a nominal value of € 0.20 at an issue price of € 2.85 per share. This increased the ordinary share capital by € 45.5 million and share premium by € 583.3 million, after deducting costs (€ 19.8 million net of tax).

As a result of the increase in ordinary shares, the preference shares B were increased by the same number of shares.

Convertible preference shares A

The convertible preference shares A carry a fixed dividend of 2.76%. Fonds NutsOHRA holds all 10,021,495 preference shares A and is entitled to convert these cumulative preference shares A on a one-to-one basis up to 6,510,748 shares per annum. The conversion price is € 22.67 (2015: € 30.84) per ordinary share less € 0.20 (the nominal value of the convertible preference shares A).

Preference shares B

The preference shares B are protective preference shares. The preference shares B have not been issued but there is an option agreement with Stichting Continuïteit Delta Lloyd (see section 'Corporate governance'), a foundation that is legally and administratively independent of Delta Lloyd. Stichting Continuïteit Delta Lloyd has a call option to acquire protective preference shares B in Delta Lloyd NV for an indefinite period. The maximum to be acquired equals 100% of the share capital in issue in the form of ordinary shares and preference shares A immediately prior to the exercise of the call option, minus one share. This will entitle it to 49.9% of the voting rights after the issuance of such shares.

On acquisition, at least one quarter of the nominal value must be paid up on each preference share B. The call for further payment on preference shares B shall be made pursuant to a resolution of the Executive Board of Delta Lloyd. Such a resolution shall be subject to the approval of the Supervisory Board. Delta Lloyd believes that the call option is not material as meant by IAS 1.31 since there is a very small probability of the call option being exercised. In the highly exceptional circumstances in which the call option would be exercised, these preference shares B would, in all probability, be cancelled within a very short time. The option is, therefore, not recognised in the financial statements nor is any additional information presented pursuant to IAS 32 and IAS 39.

Proposed dividend

No final dividend payment will be declared over 2016, however an interim dividend has been paid of € 0.10 per ordinary share.

Appropriation of result

Once the proposed dividend is approved by the General Meeting of Shareholders, the appropriation of result shall be:

Appropriation of result

In millions of euros	2016	2015
Addition to/withdrawal from (-) other reserves	185.6	34.1
Dividend on ordinary shares	45.6	94.0
Total	**231.2**	**128.1**

Delta Lloyd may by law only pay dividend if the share capital and reserves so permits.

(22) Earnings per share

The earnings per share as calculated below are based on the number of shares at year-end (basic earnings per share) and on potential shares. Net profit in the following tables is after tax and non-controlling interests.

Earnings per share at year-end

In millions of euros (unless indicated otherwise)	2016	2015
Net profit from continuing operations	231.2	128.7
Net profit from discontinued operations	-	-0.6
Net profit (loss) attributable to holders of ordinary shares for calculating the earnings per ordinary share	231.2	128.1
Weighted average number of ordinary shares in issue*	406,755,718	271,748,065
Basic earnings per share continuing operations (in euros)*	0.57	0.47
Basic earnings per share discontinued operations (in euros)*	0.00	0.00
Basic earnings per share (in euros)	**0.57**	**0.47**

* Comparative figures restated due to the effect of the rights issue.

Diluted earnings per share at year-end

In millions of euros (unless indicated otherwise)	2016	2015
Net profit (loss) attributable to holders of ordinary shares for calculating the earnings per ordinary share	231.2	128.1
Net profit (loss) attributable to holders of ordinary shares for calculating the diluted earnings per ordinary share	231.2	128.1
Net profit from continuing operations	231.2	128.7
Net profit from discontinued operations	-	-0.6
Net profit (loss) attributable to holders of ordinary shares for calculating the earnings per ordinary share	231.2	128.1
Weighted average number of ordinary shares in issue*	406,755,718	271,748,065
Effect of conversion rights of preference shares A at year-end	10,021,495	10,021,495
Effect of employee equity compensation plan	1,391,980	599,081
Diluted weighted average number of ordinary shares	418,169,193	282,368,641
Diluted earnings per ordinary share from continuing operations (in euros)*	0.55	0.45
Diluted earnings per ordinary share from discontinued operations (in euros)*	0.00	0.00
Diluted earnings per ordinary share (in euros)	**0.55**	**0.45**

* Comparative figures restated due to the effect of the rights issue.

The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share. The conditional shares granted under the Variable Incentive Plan have a dilutive effect (see section 'Employee information'). The terms and conditions for the convertible preference shares A are set out in section 'Share capital'.

No other transactions involving ordinary or potential ordinary shares occurred between the reporting date and the signing date of these financial statements.

(23) Revaluation reserves

The revaluation reserve only comprises the revaluation of available-for-sale investments including value changes taken to equity less deferred tax liabilities.

Statement of changes in revaluation reserves

In millions of euros	2016	2015
At 1 January	181.8	534.1
Gross fair value gains and losses arising in period	110.4	-133.5
Revaluation reserve of subsidiaries sold transferred to income statement	-	-50.6
Revaluation reserve of property sold	-	-5.2
Transfer of available for sale relating to DPF contracts to provisions	-	88.9
Impairment losses transferred to income statement	14.4	23.5
Reversal of impairment losses transferred to income statement	-0.3	-
Realised gains/losses on revaluations of financial instruments available for sale transferred to income statement	-185.2	-295.4
Fair value adjustments associates	4.5	-39.5
Fair value adjustments due to micro hedge debt securities available for sale	-	11.2
Aggregate tax effect	10.4	49.3
Transfer within shareholders' funds	-2.7	-1.0
At 31 December	**133.4**	**181.8**

(24) Non-controlling interests

The total non-controlling interest of € 217.7 million (2015: € 253.8 million) consists of ABN AMRO Verzekeringen (2015: € 243.6 million). Delta Lloyd Dutch Property Fund CV was liquidated in the third quarter of 2016 (2015: € 10.1 million).

Delta Lloyd owns 51% shares of ABN AMRO Verzekeringen. ABN AMRO Verzekeringen is required to maintain a minimum solvency margin based on local directives. Such restrictions can affect the ability of ABN AMRO Verzekeringen to transfer funds in the form of cash dividends, or repayments of loans or advances, and therefore, there can be no assurance that these restrictions will not become a limitation in the future.

ABN AMRO Verzekeringen's principal place of business is Zwolle, the Netherlands.

Summarised statement of financial position of ABN AMRO Verzekeringen Holding BV before intercompany eliminations

In millions of euros	2016	2015
Current assets	145.1	107.2
Non-current assets	5,252.7	5,898.4
Total assets	5,397.7	6,005.6
Current liabilities	148.2	149.0
Non- current liabilities	4,805.2	5,359.4
Total liabilities	4,953.4	5,508.4
Net assets	**444.4**	**497.2**

Summarised financial information of ABN AMRO Verzekeringen Holding BV with a material amount of non-controlling interests before intercompany eliminations at year-end

In millions of euros	2016	2015
Revenue	794.0	676.7
Profit or loss	83.9	26.6
Other comprehensive income	-19.1	0.7
Total comprehensive income	64.8	27.3

Statement of changes in accumulated non-controlling interest ABN AMRO Verzekeringen Holding BV

In millions of euros	2016	2015
At 1 January	243.6	260.3
Profit/loss allocated to non-controlling interest during the year	41.1	13.1
Dividends paid to non-controlling interest	-57.6	-30.1
Other comprehensive income	-9.3	0.3
At 31 December	**217.7**	**243.6**

(25) Insurance liabilities

In accordance with IFRS 4 'Insurance contracts' all insurance and DPF investment contract liabilities are recognised on the basis of local pre-IFRS accounting policies with certain adjustments allowed under IFRS. As at year-end 2016, Delta Lloyd uses a curve ('IFRS discount curve') which is based on the Solvency II curve including a volatility adjustment (VA), credit risk adjustment (CRA) and an UFR as the estimate for a current market interest rate curve under IFRS. Delta Lloyd's basis curve is the EUR swap curve. Interpolation is applicable for maturities for which no interest rate is provided up to the last liquid point (LLP). See also section 'Use of assumptions and estimates'.

Each reporting period Delta Lloyd assesses whether the applied curve is representative as a current market interest rate curve for the valuation of insurance liabilities. Delta Lloyd also assesses each reporting period whether the long end of the curve can be derived from sufficient relevant observable market inputs. If that is the case, then Delta Lloyd will cease to apply the UFR extrapolation method. If no sufficient relevant observable market inputs are available, Delta Lloyd will continue to estimate current market interest rate using the described UFR extrapolation approach while reassessing the parameters used. Based on this assessment, Delta Lloyd considers the IFRS discount curve including extrapolation to an UFR of 4.2% a sufficient representation of current market interest rate at year-end 2016.

Delta Lloyd applies a method and assumption setting cycle (MASC). In this cycle, all methods and assumptions used to determine provisions and the liability adequacy tests are adjusted and validated.

Life insurance business

The actuarial valuation of liabilities arising under life insurance contracts involves discounting of expected premiums and benefits payments. Delta Lloyd generally uses the net premium method. Under the net premium method, the premium taken into account in calculating the provision is determined actuarially using policies on discount rates, mortality and disability. The difference between this net premium and the actual premium received provides a margin for expenses. This method does not allow for voluntary early termination of the contract by the policyholder. Explicit provision is made for vested bonuses, including those vesting contractually following the most recent investment valuation. No such explicit provision is made for the majority of future annual terminal bonuses.

Profit sharing in the Netherlands is non-discretionary and the timing and/or level thereof is based on an external standard (such as the U-return). In contrast, profit sharing in Belgium is discretionary.

Provisions are also formed for the longevity risk associated with certain types of individual and group life insurance contracts as the original life expectancy assumptions are no longer prudent. At year-end 2016, the longevity provision was valued on the basis of AG2016 (2015: AG2014), the most recent mortality table published by the Dutch Society of Actuaries (Actuarieel Genootschap). The AG2016 mortality table no longer makes separate prognoses for men and women, but uses the correlation between the mortality developments of men and women. The dataset used is extended to include Scotland, Northern Ireland, East Germany, and adjusted for mortality experience.

Life insurance business provisions are calculated separately for each life insurance operation based on local generally accepted interest rates and published standard mortality tables for different categories of business as appropriate. In the Netherlands, the AG 2016 is used, while in Belgium the MR and FR mortality tables are used. The provisions are based on assumptions including a margin for prudence. The assumptions used in the calculations and any estimated margin for prudence depend on the specific situation of the entities involved. The provision for guaranteed benefits for participating insurance contracts is calculated, like all other insurance provisions, in accordance with prevailing actuarial principles using a deterministic approach and a prudent set of valuation assumptions. Other options in insurance contracts (including guarantees in unit-linked contracts) are measured stochastically at fair value. Related changes in value are recognised through profit or loss.

Unit-linked contracts and separated accounts (GSB), which are classified as insurance contracts, are valued based on the same principles as those used to measure the investments on behalf of policyholders. Any additional provisions that are needed to cover mortality risks or guaranteed surrender values are included in the insurance provisions where the insurer carries the investment risk. If the policyholder carries the investment risk, stochastically measured minimum return guarantees are recognised in the insurance provision.

The liability adequacy test is performed to ensure the total insurance liabilities are sufficient: in other words, the insurance liabilities recognised in the statement of financial position must be higher than the best estimate of the insurance liabilities plus the risk margin. The liability adequacy test for life insurance business provisions is conducted on each reporting date; losses will be recognised in the income statement when they occur. The adequacy test is established taking into account explicit best estimate assumptions for future profit sharing, discount rates, mortality and disability, early termination of the contract by the policyholder and future expenses. It also takes into account the risk margin and time value of options and guarantees in the insurance contracts. The test considers current estimates of all contractual and related cash flows, such as administration costs, as well as cash flows resulting from embedded options and guarantees.

Embedded derivatives (such as options and guarantees) are measured at fair value. The 'best estimate' provision (including the intrinsic value and time value of options and guarantees) is increased by a risk margin for unhedgeable insurance risks, based on a 4% (2015: 4%) cost of capital approach.

The test is performed for each portfolio component at company level. The portfolio components are classified as 'group' and 'individual', and then broken down into ‘traditional' and 'unit-linked'. Traditional is broken down further into participating and non-participating contracts. Unit-linked is broken down further into contracts with and without guarantee.

Up until half-year 2016, an additional test was conducted at group level, which took into account the unhedgeable financial risks related to illiquidity risk of the discount curve used to value the insurance liabilities, such as liquidity risk premium and extrapolation to an UFR. The calculation methodology for this risk margin is from 2009 and has not been adjusted since then.

As of half-year 2016, Delta Lloyd introduced a new IFRS discount curve. Following the introduction of the new method for determining the IFRS curve, Delta Lloyd re-evaluated the methodology for estimating the risk margin for non-hedgeable financial risks (NHFR) in the LAT. Delta Lloyd still recognises this risk, but no longer includes this risk in the LAT, as this risk is considered sufficiently covered and monitored in the capital projection models. Delta Lloyd will continuously monitor the plausibility of the outcome of these models in terms of NHFR.

If the tests performed at business level or at group level show that the provision is inadequate, the entire deficiency is charged to the income statement. When the provision in the Netherlands becomes adequate again, no release is made to the income statement. In Belgium, the adequacy test is leading.

General insurance business

Claims provisions for general insurance are based on the estimated ultimate cost (including claims-handling expenses) of all claims incurred but not settled at the reporting date, whether reported or not. The outstanding claims provisions are continually refined as part of a regular ongoing process as claims experience develops, losses are settled and further losses reported. Movements in provisions are taken to the income statement. The provision required for benefit payments for individual occupational disability class B (post first-year risk) and WIA/WAO was established using best estimate principles. The benefit provision is the discounted fair value of expected future cash flows including recovery and mortality probabilities. Outstanding claims provisions include a margin for prudence. According to Delta Lloyd guidelines, each business unit's margin for prudence must ensure that the level of adequacy for the majority of the general insurance business provisions (except disability contracts) is within a set range.

The majority of the general insurance provisions are valued on an undiscounted basis. The provision for disability is valued on a discounted basis based on the IFRS discount curve.

For general insurance, the proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods, is deferred in a provision for unearned premiums. Changes in this provision are taken to the income statement during the risk period in question to ensure the premium reflects the insured risk throughout the policy period. An additional premium reserve, the unexpired risk reserve, is formed for contracts with a lower premium compared to the actuarial required premium, if no compensation is available in premium surplus within other products for segments property and casualty, and disability respectively.

Assumptions for the provision for future ascending risks include the WVV (Wiskundig Vastgestelde Voorziening), an insurance liability that will be formed for disability contacts. The premium of these insurances is based on a flat premium. This special premium reserve consists of the surplus (in the first years of the contract) on paid premium compared to actual risk premium. This surplus is reserved for future years when there is a shortage. A best estimate is calculated by calculating the actuarial provision for each policy based on the best estimate principles for occupational disability and rehabilitation for claims payments. If the actuarial provision calculated for a portfolio is negative, it is set at nil. The premiums used are those paid by the customers.

The liability adequacy test for the total provisions tests whether the total provision recognised in the statement of financial position is greater than the best estimate of the provision, including a risk margin based on a 4% (2015: 4%) cost of capital. If positive, the difference between these two amounts is called the prudence margin in the total provision. The ultimate level of outstanding claims provision is estimated by using a range of standard actuarial claims projection techniques. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence the ultimate cost of claims. Premium provisions are tested against a best estimate based on the expected combined operating ratio.

For property and casualty products and accident and absenteeism products, the claims provision is tested against a lower and upper boundary. Any deficit with respect to the lower boundary or any margin against the upper boundary is taken to the income statement. For disability products the adequacy is tested against a lower boundary based on a 4% (2015: 4%) cost of capital.

Delta Lloyd is subject to various periodic insurance-related assessments or guarantee fund levies. Provisions related to these are established when there is a present obligation (legal or constructive) resulting from a past event. Such amounts are not included in insurance liabilities but are disclosed under section 'Provisions for other liabilities', except for provisions for the Dutch Vehicle Insurers' Guarantee Fund (Waarborgfonds der Motorrijtuigenverzekeraars), which are part of the IBNR.

Insurance liabilities at year-end

In millions of euros	Life	General	Total
Discretionary participating contracts	4,308.0	-	4,308.0
Non-discretionary participating contracts	2,891.9	-	2,891.9
Unit-linked non-participating contracts	10,958.3	-	10,958.3
Other non-participating contracts	27,640.7	-	27,640.7
Outstanding claims provisions	-	1,419.8	1,419.8
Provision for claims-handling expenses	-	66.8	66.8
Provision for claims incurred but not reported	-	386.4	386.4
Provision for unearned premiums	-	244.0	244.0
Total	**45,798.9**	**2,116.9**	**47,915.8**

Insurance liabilities at prior year-end

In millions of euros	Life	General	Total
Discretionary participating contracts	4,024.2	-	4,024.2
Non-discretionary participating contracts	3,137.5	-	3,137.5
Unit-linked non-participating contracts	12,591.8	-	12,591.8
Other non-participating contracts	23,996.2	-	23,996.2
Outstanding claims provisions	-	1,358.2	1,358.2
Provision for claims-handling expenses	-	64.7	64.7
Provision for claims incurred but not reported	-	399.0	399.0
Provision for unearned premiums	-	218.3	218.3
Total	**43,749.6**	**2,040.3**	**45,789.9**

Movements

Life insurance business

The movements in the life insurance business provisions were as follows:

Statement of changes in life insurance business provisions

In millions of euros	2016	2015
At 1 January	43,749.6	43,492.0
Provisions in respect of new business	651.2	957.2
Expected change in existing business provisions	-1,159.9	-1,095.2
Variance between actual and expected experience	252.1	-98.3
Effect of operating assumption changes	214.4	184.8
Effect of economic assumption changes	2,460.6	-5.1
Other movements recognised as expense	-10.5	8.2
Change in liability recognised as expense	2,407.9	-48.4
Other movements not recognised as expense	-358.7	306.0
At 31 December	**45,798.9**	**43,749.6**

* The movement in longevity provision is no longer presented as a separate line item. Comparative figures have been adjusted accordingly.

The expected change in existing business provisions and the variance between actual and expected experience relate to claims, interest and portfolio developments.

New business decreased compared to the same period last year. This decrease is a direct effect of Delta Lloyd's strategy to write customer-focused, profitable and capital-generative new business.

The increase in the total insurance liabilities is mainly due to the effect of economic assumptions, which is mainly the result of movements in market interest rates and the introduction of the IFRS discount curve for calculating the insurance liabilities (see section 'Use of assumptions and estimates' and section 10.1.7.28 'Effect of changes in assumptions and estimates on provisions for insurance and investment contracts'). The average decrease in the curve of 36 basis points increased the insurance liability by € 2,374.4 million (including the effect of the decreasing curve on the longevity provision). This includes the effect of introducing the IFRS discount curve on 30 June 2016, which resulted in a decrease of € 519.8 million in the insurance liabilities (including the effect on the curve on the longevity provision), as the IFRS discount curve was slightly above the Collateralised AAA curve. The movements in the provisions for interest rate guarantees on unit-linked and segregated funds are also included in the economic assumption changes. The movements in the provision for the unit-linked portfolio, due to changes in the underlying investments, are recognised as expected change in existing business provisions and the variance between actual and expected experience.

The increase in the longevity provision of € 642.9 (2015: 97.3 million) for Delta Lloyd Levensverzekering is mainly due to decreasing interest rates and a revised estimation method introduced in the first half of 2016 (€ 330.5 million increase in the provision). The introduction of the IFRS discount curve on 30 June 2016 resulted in a decrease of € 84.2 million in the longevity provision. See section 'Use of assumptions and estimates' for more details. The total longevity provision at year-end 2016 amounts to € 2,883.6 million (2015: € 2,240.7 million).

The other movements not recognised as expenses relate to the reclassification of the saving mortgages at ABN AMRO Levensverzekering . To ensure consistency within Delta Lloyd, ABN AMRO Levensverzekering reclassified its saving values from RRPH to own risk liabilities. See section 'Loans and receivables' for more details.

General insurance business

The movements in the claims provisions were as follows:

Statement of changes in general insurance provisions

In millions of euros	2016	2015
At 1 January	2,040.3	2,170.4
Premiums written during the year	1,454.2	1,354.7
Premiums earned during the year	-1,428.5	-1,355.3
Movement in premium provision recognised as expense	25.7	-0.6
Effect of operating assumption changes	-7.6	-21.5
Effect of economic assumption changes	25.4	-1.3
Claim losses and expenses incurred in the current year	1,009.0	901.0
Movement in anticipated claim losses and expenses incurred in prior years	15.7	-17.6
Incurred claims losses and expenses	1,042.5	860.6
Payments made on claims incurred in the current year	-488.3	-439.6
Payments made on claims incurred in prior years	-518.6	-542.6
Recoveries on claim payments	11.9	12.0
Claims payments made in the year, net of recoveries	-995.0	-970.1
Movement in claims provision recognised as expense	47.5	-109.6
Increase in provision due to passage of time recognised as expense	3.5	4.3
Transfer of liabilities to third party	-	-24.1
Other gross movements	-	-0.2
At 31 December	**2,116.9**	**2,040.3**

The provision for unearned premiums remained fairly stable from 2015 to 2016.

The change in economic assumptions relates to movements in the IFRS discount curve. The effect of changes in operational assumptions is due to MASC impacts, mainly in disability and illness products.

The run-off result on the line item 'Movement in anticipated claims losses and expenses incurred in prior years' is negative and therefore has a negative effect on profit and loss.

The claim losses and expenses incurred in the current year include a number of large fire claims, exceptional weather conditions and negative prior year impact at technical insurance. In June 2016, the southern part of the Netherlands experienced a severe hailstorm. The best estimate of the gross cost of this storm for Delta Lloyd is € 62.8 million at year-end 2016 (included in the line item 'Claim losses and expenses in the current year'). This hail storm triggered the catastrophe reinsurance programme as the losses exceeded the retention limit of € 40.0 million. As such, recoveries above this amount could be made. See also section 'Risk management'.

In 2015, the liability of the Beurs-Volmacht portfolio of € 24.1 million was transferred to a third party.

Loss development table

The following table presents the development of gross cumulative incurred claims for the accident years 2007 to 2016. Part of these incurred claims is reinsured, but adjusting for reinsured claims will not impact the development pattern significantly.

Loss development gross of reinsurance

In millions of euros	All prior years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
At end of accident year		825.7	896.5	971.3	1,000.0	1,018.6	1,139.5	1,031.8	925.8	915.2	1,022.4	
One year later		770.5	920.1	950.1	1,014.2	1,114.1	1,149.3	1,082.7	966.4	990.8	-	
Two years later		782.2	902.0	936.7	1,019.6	1,109.9	1,121.2	1,076.7	981.3	-	-	
Three years later		776.5	898.9	918.6	1,021.3	1,073.2	1,094.0	1,055.2	-	-	-	
Four years later		773.8	913.2	926.1	1,020.0	1,063.7	1,083.6	-	-	-	-	
Five years later		778.1	928.4	931.9	1,010.1	1,046.7	-	-	-	-	-	
Six years later		785.3	941.5	920.9	1,015.8	-	-	-	-	-	-	
Seven years later		788.4	935.6	916.7	-	-	-	-	-	-	-	
Eight years later		782.0	916.5	-	-	-	-	-	-	-	-	
Nine years later		791.4	-	-	-	-	-	-	-	-	-	
Estimate of cumulative claims		791.4	916.5	916.7	1,015.8	1,046.7	1,083.6	1,055.2	981.3	990.8	1,022.4	
Cumulative payments		740.7	866.1	854.6	913.9	948.1	933.5	863.4	767.2	685.7	480.6	
Total	145.1	50.7	50.5	62.1	101.9	98.5	150.1	191.8	214.0	305.1	541.8	1,911.7
Effect of discounting	-7.0	-1.2	-1.1	-1.6	-2.1	-1.9	-2.8	-4.1	-4.7	-6.3	-6.1	-38.7
Current value	138.1	49.5	49.3	60.6	99.8	96.7	147.3	187.8	209.3	298.8	535.7	1,873.0
Unearned premium and unexpired risk reserve												244.0

Loss development gross of reinsurance

In millions of euros	All prior years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
Value recognised in balance sheet												**2,116.9**

The table below includes information on asbestos and environmental pollution (A&E) claims provisions for business written before 2006. The uncertainty inherent in A&E claims provisions is largely due to the extremely long latency period, uncertainties in the cover and claims costs, the limited availability of data and uncertainties in the surrounding completeness and accuracy of the data. The A&E cumulative payments and claim reserves are shown separately in the following table.

Asbestos and environmental pollution loss development table at year-end

In millions of euros	Cumulative payments	Claims reserves	Estimate of cumulative claims
2007	20.3	53.2	73.5
2008	21.1	56.8	77.9
2009	22.6	55.8	78.4
2010	25.0	50.2	75.2
2011	27.8	49.4	77.2
2012	34.5	39.4	73.8
2013	39.5	37.8	77.3
2014	41.2	36.3	77.4
2015	56.3	16.5	72.8
2016	56.5	16.2	72.7

There is a provision of € 16.2 million (2015: € 16.5 million) for the exposure to claims associated with asbestos-related diseases. The provisions were estimated by claims handlers on a case-by-case basis. A provision was also made for future asbestos-related claims. Claims development is monitored periodically. Asbestos and environmental pollution contracts have not been reinsured. The transfer of the Beurs-Volmacht portfolio transferred a substantial part of the outstanding asbestos related claims. This transfer can be seen in the increased cumulative payments and decreased claims reserves in 2015.

(26) Reinsurance assets

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

Reinsurance assets primarily include amounts receivable from reinsurance companies on ceded reinsurance. In the case of life insurance, this is mainly non-proportional reinsurance relating to group contracts while for general insurance it relates primarily to excess of loss. Amounts recoverable from reinsurers are calculated in a manner that is consistent with the insurance provisions or the settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract. Reinsurance assets included in life insurance business provisions were not measured on the basis of market interest rates, but on the basis of fixed interest rates.

If a reinsurance asset is impaired, Delta Lloyd reduces the carrying amount accordingly and recognises that impairment loss in the income statement.

Reinsured share in provisions at year-end

In millions of euros	2016	2015
Life	375.6	392.2
General	163.2	169.9
Total	**538.7**	**562.1**

The net provision is calculated by deducting reinsured business included in provisions from the gross provision.

Gross provisions, reinsurers' share and net provisions at year-end

In millions of euros	Gross insurance provisions 2016	Reinsurance assets 2016	Net 2016	Gross insurance provisions 2015	Reinsurance assets 2015	Net 2015
Discretionary participating contracts	4,308.0	15.3	4,292.6	4,024.2	18.1	4,006.2
Non-discretionary participating contracts	2,891.9	9.4	2,882.5	3,137.5	5.6	3,131.9
Unit-linked non-participating	10,958.3	-	10,958.3	12,591.8	-	12,591.8
Other non-participating	27,640.7	350.8	27,289.9	23,996.2	368.6	23,627.6
Life provisions	45,798.9	375.6	45,423.3	43,749.6	392.2	43,357.4
Outstanding claims provisions	1,419.8	122.6	1,297.2	1,358.2	129.8	1,228.5
Provision for claims-handling expenses	66.8	-	66.8	64.7	0.1	64.7
Provision for claims incurred but not reported	386.4	35.6	350.8	399.0	33.4	365.6
Provision for unearned premiums	244.0	5.0	239.0	218.3	6.7	211.6
General provisions	2,116.9	163.2	1,953.8	2,040.3	169.9	1,870.4
Total	**47,915.8**	**538.7**	**47,377.1**	**45,789.9**	**562.1**	**45,227.9**

The movements in reinsurance assets during the year were as follows:

Statement of changes in life insurance reinsurance assets

In millions of euros	2016	2015
At 1 January	392.2	423.5
Assets in respect of new business	0.2	0.6
Expected movement in existing business assets	-20.2	-28.9
Variance between actual and expected experience	3.4	-3.1
Movements reinsurance assets recognised as income	-16.6	-31.4
Other movements not recognised as expense	-	0.1
At 31 December	**375.6**	**392.2**

Statement of changes in general insurance reinsurance assets

In millions of euros	2016	2015
At 1 January	169.9	226.0
Reinsurers' share in the year	106.7	102.8
Reinsurers' share of premiums earned during the year	-108.4	-103.0
Movements in provision for unearned premiums	-1.7	-0.2
Effect of changes in assumptions	-	0.2
Reinsurers' share of claim losses and expenses incurred in current year	58.3	44.0
Reinsurers' share of claim losses and expenses incurred in prior years	-6.8	-10.6
Reinsurers' share of claim losses and expenses incurred	51.5	33.5
Reinsurance recoveries received on claims incurred in current year	-9.3	-9.8
Reinsurance recoveries received on claims incurred in prior years	-47.3	-76.4
Reinsurance recoveries received in the year	-56.5	-86.2
Movements in reinsurance assets recognised as income	-5.0	-52.7
Other movements	-	-3.2
At 31 December	**163.2**	**169.9**

The Reinsurers' share of claim losses and expenses incurred in the current year include the recoveries relating to the gross claims from the June hail storm of € 21.8 million.

(27) Liabilities for investment contracts

Investment contracts are those that do not transfer significant insurance risk from the contract holder to the risk bearer and are therefore treated as financial instruments.

Liabilities for discretionary participating investment contracts

Liabilities for discretionary participating investment contracts are measured using the same accounting policies as life insurance contracts.

Liabilities for non-participating investment contracts

Liabilities for non-participating investment contracts are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Liabilities for unit-linked contracts

For unit-linked investment contracts, the value of the liability equals the fair value of the investments, plus a provision, if required, for guaranteed returns. A deferred acquisition costs and a deferred income reserve liability are recognised for transaction costs and front-end fees respectively. These relate to the management of investments and are amortised systematically over the contract term.

Investment contract liabilities at year-end

In millions of euros	2016	2015
Discretionary participating policies	4,706.0	4,481.6
Non-participating investment contracts	445.4	464.8
Unit-linked contracts	1,766.9	1,358.1
Total	**6,918.3**	**6,304.5**

The total interest expense on discretionary participating investment contracts was € 88.7 million (2015: € 111.2 million). The discretionary participation feature of participating business concluded by Delta Lloyd Life Belgium is recognised separately from the guaranteed element and is classified as a separate liability within discretionary participating policies referred to as unallocated distributable surplus.

Statement of changes in investment contract liabilities

In millions of euros	2016	2015
At 1 January	6,304.5	6,154.3
Provisions in respect of new business	180.7	171.0
Expected change in existing business provisions	210.3	267.5
Variance between actual and expected experience	-210.3	-165.1
Effect of changes in assumptions	462.4	-0.9
Other movements	-29.3	-122.3
Total	**6,918.3**	**6,304.5**

The effect of changes in assumptions of € 462.4 million is mainly due to the result of movements in market interest rates of € 388.2 million at Delta Lloyd Life Belgium and the introduction on 30 June 2016 of the IFRS discount curve for calculating the investment contracts liabilities. The effect of the introduction of the IFRS discount curve was € -43.1 million. See section 'Use of assumptions and estimates' for more details.

The effect of other movements of € -29.3 million mainly relates to the adjustment to the profit-sharing parameters of the liabilities for Delta Lloyds Life Belgium's investment contracts.

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

Determining the technical provision for life and general insurance contracts depends on the accounting policies and assumptions used. Changes in assumptions and estimates will directly affect the technical provision and have an indirect impact on the result.

The effect on the result before tax is shown in the table below:

Effect of changes in assumptions and estimates on provisions for insurance and investment contracts

In millions of euros	Effect on result 2016	Effect on result 2015
Life insurance contracts		
Interest rate/price movements	-2,460.6	58.2
Expenses	10.3	45.5
Lapse rate	-34.8	-91.5
Mortality risk for life insurance contracts	-190.0	-138.8
Other	-11.8	6.0
Investment contracts		
Interest rate/price movements	-440.2	-3.3
Expenses	8.9	58.5
Lapse rate	-9.5	-36.5
Mortality risk for investment contracts	-0.4	-0.4
Other	-21.1	-17.4
General insurance contracts		
Change in discount rate assumptions	-25.4	1.3
Change in expense ratio assumptions	4.6	-10.2
Change in loss ratio assumptions	3.0	32.4
Total	**-3,167.0**	**-96.3**

Section 'Insurance liabilities' addresses the effect of changes in economic assumptions on insurance provisions. The interest rate effect on the result involves the consequences of movements during the year in the IFRS discount curve.

The combined impact on the result of both the introduction of the IFRS discount curve on 30 June 2016 and of the movement in the IFRS discount curve in 2016 was € -2,374.4 million (2015: € 54.8 million) for the life insurance contracts and € -388.2 million (2015: € 12.4 million) for the investment contracts. These effects, and the effect of interest rate changes in particular, are partly offset by movements in the investment portfolio resulting from changes in market interest rates. The result will be affected primarily by differences in volumes and maturities.

The changes in assumptions and estimates for insurance contracts and investment contracts are mainly a result of:

Adjustments to mortality assumptions:

- € -243.5 million at Delta Lloyd Levensverzekering mainly due to the new AG2016 mortality tables and the update of the experience mortality.
- € 33.3 million impact at ABN AMRO Levensverzekering due to the new AG2016 mortality tables and the update of the experience mortality.
- € 19.8 million due to updated mortality rates at Delta Lloyd Life Belgium (new IA|BE table, the most recent mortality table published by the Belgian actuary association, and the updated model to calculate experience).

Adjustments to lapse assumptions:

- € -25.6 million impact at Delta Lloyd Levensverzekering due to less lapse for individual business with a guarantee (€ -37.1 million) and more value transfers with guarantee business in group (€ 11.5 million);
- € -18.7 million impact at Delta Lloyd Life Belgium due to updated lapse rates.

Adjustments to expense assumptions:

- € 19.2 million due to update of expense parameters at Delta Lloyd Life Belgium.

Adjustments to other assumptions:

- € -12.9 million impact due to update of investment expenses at Delta Lloyd Life Belgium;
- € -21.1 million impact for updating the risk capitals to the most recent period for calculating the risk margin for investment contracts at Belgium.

The change in discount rate assumptions in general insurance relates to the movements of the IFRS discount curve.

(29) Pension obligations

Delta Lloyd operates a number of defined benefit and defined contribution plans in all countries in which it operates. The assets of these are generally held in separate investment deposits. To finance the pension plans, contributions are paid by the relevant subsidiaries and employees.

For defined benefit plans, the pension expenses and obligations are assessed using the projected unit credit method. The cost of providing pensions is charged to the income statement to spread the regular cost over the service life of employees, in accordance with actuarial calculations. Additionally, the pension cost includes the interest cost and expected return on plan assets. The pension obligation is measured as the present value of the estimated future outflows using a discount rate based on market yields for high-quality corporate bonds. The net asset or liability in the statement of financial position is the difference between the liabilities and the qualified plan assets at fair value. These assets are held by a fund that is legally separate from Delta Lloyd, with the exception of non-transferable financial instruments issued by Delta Lloyd. They may only be used to pay employee benefits; they may not be used to meet any other obligations of Delta Lloyd. Actuarial gains and losses are recognised in other comprehensive income. In the Netherlands, Delta Lloyd Pensioenfonds has reinsured most of its pension obligations with Delta Lloyd Levensverzekeringen until 1 January 2017. As a result, the related investments do not qualify as plan assets. To avoid double stating the assets and liabilities, the insurance liabilities and the associated cash flows have been eliminated.

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

Pension obligations

Delta Lloyd has a number of pension plans in the countries where it operates. In the Netherlands, a new defined contribution scheme is commenced as of 1 January 2017. Until 1 January 2017, the main plan in the Netherlands was a defined benefit plan. This plan was held by a separate foundation, Delta Lloyd Pensioenfonds, which reinsured its pension obligations with the subsidiary Delta Lloyd Levensverzekeringen. In the insurance agreement, Delta Lloyd Levensverzekeringen guaranteed the payment of the vested nominal pensions. This reinsurance agreement has been terminated on 1 January 2017.

The change in the main pension scheme in the Netherlands is recognised as settlement in the last quarter of 2016. As at 31 December 2016, this plan classifies as a defined contribution pension plan and as such no defined benefit pension obligation is being reported on Delta Lloyd's balance sheet. Instead, a short-term liability position to Delta Lloyd Pensioenfonds is being recognised at year-end 2016 (€ 2,730.9 million). The measurement of the liabilities is based on the most recent actuarial valuations, which were updated to assess the liability on 31 December 2016. The liabilities were transferred to the Delta Lloyd Pensioenfonds' own account on 1 January 2017.

To compensate for the transfer of risk and accrued rights, Delta Lloyd paid € 25.0 million to the Delta Lloyd Pensioenfonds in January 2017. As all collective agreement parties formally agreed upon the transfer of risks and the new pension scheme in 2016, these costs were recognised as settlement costs in the income statement at year-end 2016.

Delta Lloyd Pensioenfonds has no employees and is governed by members representing the employer Delta Lloyd, its employees and pensioners. The board members have the full power and discretion to administer the plan, including developing and monitoring the investment policy.

The figures include provisions to meet other post-retirement obligations to staff.

There were no significant contributions outstanding or prepaid in the past two years.

Details of the significant defined benefit plans

The measurement of the defined benefit plans is based on the most recent actuarial valuations, which were updated to assess the liabilities of the significant plans on 31 December 2016.

The principal features of the defined benefit pension plan in the Netherlands, until settlement, were as follows:

- From 1 January 2014, the main pension plan is based on average pay and a retirement age of 67 years; employees are expected to retire from the company between 65 and 67. Pension contributions are determined on 1 January of each year and based on the hourly wage of the employee (including holiday pay and a '13th month') multiplied by the number of contract hours. From 1 January 2015, the pension entitlements per service year are 1.875% of the employee's pension base;
- Delta Lloyd is not obliged to make additional contributions in relation to any indexation after 1 January 2011. The pension fund will only apply indexation on the basis of investment returns made by the fund; and
- The average weighted duration of the pension obligation is 20.7 years. This is an increase compared to last year (2015: 20.2 years), and is mainly due to the decrease in the discount rate.

The principal features of the new defined contribution pension plan in the Netherlands, as of 1 January 2017, are as follows:

- From 1 January 2017, the main pension plan is based on conditional average pay based on a fixed premium methodology, resulting in a premium of 30% of the sum of pensionable salaries (part-time salary -/- pension offset) with the ambition of pension entitlements per service year of 1.875%;
- The pension plan is based on a retirement age of 67 years;
- From 1 January 2017, the survivor's pension amounts to 70% of the regular old age pension that has been accrued for after 31 December 2016. This survivor's pension is being insured on risk-base and expires upon resignation or retirement. The survivor's pension accrued for until 31 December 2016 remains unchanged;
- Due to the transfer of risk, Delta Lloyd pays an one-off amount of € 10.0 million into the premium reserve of the Delta Lloyd Pensioenfonds;
- To compensate for the transfer of accrued rights to the pension fund, Delta Lloyd pays a one-off amount of € 15.0 million to the Delta Lloyd Pensioenfonds; and
- Delta Lloyd is not obliged to make additional contributions besides the amount required to fund current service based on the fixed premium methodology.
- The pension fund will only apply conditional indexation based on the investment returns made by the fund.

Details of the main defined benefit plans are shown below. Where plans provide both defined benefit and defined contribution pensions, the assets and liabilities shown only relate to defined benefit pensions. The mortality table used for the Dutch pension plan from 31 December 2016 onwards is the AG2016 mortality table, taking into account the 'Delta Lloyd Levensverzekering experience adjustment'. Based on the actuarial valuations set out below, the provision for pension and post-retirement obligations, before settlement, was increased by € 564.0 million (2015: € 532.0 million).

Main financial assumptions used to calculate defined benefit obligations

In percentages	Netherlands 2016	Netherlands 2015	Belgium 2016	Belgium 2015
Inflation rate	1.80%	1.60%	1.20%-1.65%	0.4%-1.55%
General salary increases	1.90%+merit	1.70%+merit	1.30%-1.80% +merit	0.5%-1.65% +merit
Pension increases active members	1.10%	1.10%	0.00%	0.00%
Pension increases inactive members	1.00%	1.00%	1.55%-1.90%	1.1%-1.55%
Discount rate	1.85%	2.25%	0.00%-1.70%	0.05%-2.1%

Delta Lloyd Pensioenfonds' investment policy is aimed at maintaining a balanced portfolio. This limits the risk of underfunding that arises from the selected asset mix. The composition of the investments is considered to be the most important mechanism to optimise the revenue and risk structure of the pension fund. Until settlement and the transfer of risk to Delta Lloyd Pensioenfonds, the investments were managed by Delta Lloyd's asset managers, who were constrained to mandates. The composition of the portfolio was regularly evaluated and adjusted when it appears the revenue and risk structure was no longer adequate.

The defined benefit obligation recognised in the statement of financial position can be reconciled to the actual defined benefit obligation at year-end as follows:

Defined benefit obligation recognised in the statement of financial position

In millions of euros	2016	2015
Net defined benefit liability	18.0	2,479.8
Net pension obligation recognised in statement of financial position	**18.0**	**2,479.8**
Recognised in plan assets	18.9	20.8
Recognised in pension obligation	37.5	2,501.6
Other post-retirement schemes	-0.5	-1.1
Net pension obligation recognised in statement of financial position	**18.0**	**2,479.8**

After the reclassification to other liabilities, the net pension liability will be € 18.0 million. This includes a pension liability of € 9.3 million related to the Belgium plans and a pension liability of € 8.7 million related to the non-unit-linked contracts and separated accounts (non-GSB plan) in the Netherlands for participants not covered by Delta Lloyd Pensioenfonds.

Plan assets are presented under Receivables and other financial assets in the statement of financial position (see also section 'Receivables and other financial assets'). Other post-retirement schemes include other long-term employee benefits for the Netherlands and are recognised in the pension obligation and presented separately in the table above.

Within the same pension plan, plan assets are netted with the defined benefit obligation. For one of Delta Lloyd Life Belgium's pension plans, the total for plan assets is higher than the defined benefit obligation, namely netted € 18.9 million (2015: € 20.8 million).

Net defined benefit liability and experience adjustments

In millions of euros	2016	2015
Defined benefit obligation	83.0	2,934.5
Plan assets	-65.4	-454.8
Asset ceiling	0.4	-
Net defined benefit liability	**18.0**	**2,479.8**
Experience adjustments on plan liabilities	32.4	31.3
Experience adjustments on plan assets	20.0	33.8

Statement of changes in total net pension obligations

In millions of euros	2016	2015
At 1 January	2,479.8	2,592.5
Pension expense for defined benefit plans	109.2	125.9
Actuarial (gains) and losses	201.9	-124.1
Distributions and investment gains and losses	-41.0	-114.5
Transfer of defined benefit obligation to other liabilities	-2,730.9	-
Other transfers	-0.9	-
At 31 December	**18.0**	**2,479.8**

Distributions and investment gains and losses include transfers of investments out of Delta Lloyd Pensioenfonds of € 17.4 million (2015: € 48.4 million transferred into Delta Lloyd Pensioenfonds).

As Delta Lloyd Pensioenfonds has reinsured the main part of its pension obligations at Delta Lloyd Levensverzekering in the Netherlands until 1 January 2017, this entity recognises the related investments and related insurance liability. To avoid double recognition, under actual investments and reimbursement rights on the asset side and defined benefit obligations and insurance liabilities on the liability side, reimbursement rights and insurance liabilities were eliminated at year-end 2016. Plan assets that were not eliminated were mainly related to plan assets invested at Delta Lloyd Pensioenfonds' own risk.

Pension obligations of € 0.8 million relate to plans that are completely unfunded (2015: € 1.2 million). These pension obligations are classified as defined benefit plans.

Statement of changes in defined benefit obligation

In millions of euros	2016	2015
At 1 January*	2,936.2	2,958.9
Current service cost	53.8	69.9
Past service cost	-	0.1
Interest cost on pension obligations	65.8	64.4
Payments and acquisitions	-74.3	-83.3
Employee contributions current year	11.3	11.3
Other transfers	-0.9	-0.1
Actuarial (gains) and losses on pension obligations	221.0	-90.8
Liabilities of subsidiaries sold	-	4.2
Transfer of defined benefit obligation to other liabilities	-3,130.0	-
At 31 December	**83.0**	**2,934.5**

* Opening balance 2016 does not reconcile to year-end balance 2015 due to the clarification of the Belgium legislation (WAP).

At year-end 2016, Belgium's defined contribution plans subject to legal minimum guaranteed interest rates to be provided by the employer, 'Ex-Swiss Life' and 'ZA Verzekeringen', were accounted for as defined benefit plans as per IAS19. This approach has been applied to these plans considering the clarification of the Belgium legislation published on 18 December 2015 (WAP 'Wet op de Aanvullende pensioenen'). The impact of € -1.1 million is accounted for in the other comprehensive income at year-end 2016. As the DC scheme of ex-Swiss Life was already incorporated in the pension obligations and asset value in previous years, only the starting values have changed (both increasing by € 1.6 million) because of the change in accounting method for the ZA pension plan. The impact does not affect net pension liability.

Due to the higher discount rate at the beginning of 2016 compared to the beginning of 2015, the calculated current service cost in 2016 is lower than in 2015. The decrease in service costs can be explained by the lower management expenses due to the renewal of the guarantee contract until 1 January 2017 at a lower interest rate.

The interest cost on pension obligations is calculated using the discount rate at the beginning of the year. The discount rate on 1 January 2016 (for the Netherlands 2.25%) was slightly higher compared to 1 January 2015 (for the Netherlands 2.15%). Therefore, the interest cost on 31 December 2016 is comparable to year-end 2015.

The employees' contributions exclude transfers of investments out of Delta Lloyd Pensioenfonds of € 17.4 million (2015: € 48.4 million transferred in).

The actuarial loss on pension obligations of € 221.0 million (2015: € 90.8 million gain) is mainly due to the lower discount rate for year-end 2016 (for the Netherlands 1.85%) compared to year-end 2015 (for the Netherlands 2.25%).

Payments are made regularly (i.e. monthly) throughout the year.

Statement of changes in plan assets

In millions of euros	2016	2015
At 1 January*	456.4	367.2
Interest income	10.0	7.8
Contributions	-17.2	48.8
Benefits paid	-4.8	-2.5
Actuarial gains and (losses) on pension assets	20.0	33.8
Assets of subsidiaries sold	-	-0.3
Transfer of defined benefit obligation to other liabilities	-399.1	-
At 31 December	**65.4**	**454.8**

* Opening balance 2016 does not reconcile to year-end balance 2015 due to the clarification of the Belgium legislation (WAP).

Contributions include transfers of investments out of Delta Lloyd Pensioenfonds of € 17.4 million (2015: € 48.4 million transferred in).

The assets of the pension schemes attributable to participants under the defined benefit plans can be specified as follows:

Assets of the pension schemes attributable to participants under the defined benefit plans (without elimination of plan assets) at year-end

In millions of euros	Netherlands 2016	Belgium 2016	Total 2016	Netherlands 2015	Belgium 2015	Total 2015
Equity securities	667.7	41.7	709.4	631.0	28.8	659.8
Debt securities	2,199.2	9.1	2,208.3	2,035.2	23.1	2,058.3
Investment property	79.4	-	79.4	69.5	-	69.5
Other	196.9	41.7	238.6	127.4	44.2	171.6
Total fair value of assets	**3,143.1**	**92.5**	**3,235.6**	**2,863.1**	**96.2**	**2,959.2**

Listed/unlisted assets of the pension schemes attributable to participants under the defined benefit plans (without elimination of plan assets) at year-end

In millions of euros	Listed 2016	Unlisted 2016	Total 2016	Listed 2015	Unlisted 2015	Total 2015
Equity securities	622.1	87.2	709.4	574.1	85.7	659.8
Debt securities	888.0	1,320.3	2,208.3	322.6	1,735.7	2,058.3
Investment property	-	79.4	79.4	-	69.5	69.5
Other	-	238.6	238.6	-	171.6	171.6
Total fair value of assets	**1,510.1**	**1,725.5**	**3,235.6**	**896.7**	**2,062.5**	**2,959.2**

The above tables list the categories of the underlying securities in the investment funds. The current year amounts include the assets related to the Dutch pension plan. These assets at Delta Lloyd Levensverzekeringen (€ 2,730.9 million) were transferred to the Delta Lloyd Pensioenfonds' own account on 1 January 2017. Three types of investment funds were recognised at year-en 2016. All equity securities and property in the Netherlands were investments within investment funds. Of the total debt securities in the Netherlands, € 1,320.3 million (2015: € 1,735.7 million) was invested in investment funds.

For the financial years 2016 and 2015, equity securities and debt securities in the pension schemes did not include any equity securities and debt securities in Delta Lloyd. In addition, the property of the pension schemes did not include any property in use by Delta Lloyd. 'Other' includes mainly derivatives that are all interest rate swaps.

Pension deficit (without elimination of plan assets) at year-end

In millions of euros	2016	2015	2014	2013	2012	2011	2010
Fair value of plan assets and reimbursement rights at year-end	2,836.5	2,959.2	2,983.5	2,342.2	2,366.4	2,042.8	1,801.1
Net defined benefit obligation transferred to other liabilities	2,730.9	-	-	-	-	-	-
Fair value of plan assets and reimbursement rights at year-end, including transfer	105.6	2,959.2	2,983.5	2,342.2	2,366.4	2,042.8	1,801.1
Present value of defined benefit obligations at year-end	83.0	2,934.5	2,958.9	2,372.3	2,410.9	2,079.3	1,835.3
Asset ceiling	0.4	-	0.9	4.0	0.5	1.1	-
Net pension deficit / (surplus)	**-22.2**	**-24.7**	**-23.7**	**34.1**	**45.0**	**37.6**	**34.2**

The defined benefit obligation for the Dutch pension plans is set equal to the plan assets. Due to the settlement of the Dutch pension plan at year-end 2016, the net benefit obligation (€ 2,730.9 million) is transferred to other liabilities. The related assets at Delta Lloyd Levensverzekeringen (€ 2,730.9 million) were transferred to the Delta Lloyd Pensioenfonds' own account on 1 January 2017. As such, the table above shows a surplus. However, after the transfer of these assets, the net surplus is € 22.2 million and relates to the Belgium's pension plans (2015: € 24.7 million).

Pension expenses

In millions of euros	2016	2015
Current service cost	53.8	69.7
Settlement cost	25.0	-
Past service cost (gain)/loss	-	0.1
Net interest expense	55.8	55.7
Pension expense for defined benefit plans	134.7	125.5
Pension expense for defined contribution plans	2.1	2.8
Total pension expense recognised in the income statement	136.8	128.3
Investment income (gain)/loss	-281.2	16.0
Total pension result recognised in the income statement	-144.4	144.3
Actuarial (gains) and losses recognised in the income statement	-0.5	0.5
Actuarial (gains) and losses recognised in the other comprehensive income*	201.9	-124.1
Total net pension result	**57.0**	**20.6**
Net pension expense from discontinued operations	**-**	**-1.0**

* Due to the settlement of the Dutch pension plan at year-end 2016, the actuarial gains and losses recognised in the other comprehensive income are transferred to retained earnings.

Pension expenses recognised as staff costs (see section 'Employee information') consist of current service cost, settlement cost, past service cost, pension expense of defined contribution plans and actuarial gains and losses recognised in the income statement. Net interest expense is recognised as part of finance cost.

The investment income is the actual return on the assets backing the pension obligations. For the Netherlands, an amount of € 278.3 million (2015: € -19.4 million) was recognised in the investment income of the Life insurance segment as this segment holds the investments. The actual return on plan assets of the Belgium's defined benefit plan for 2016 was € 2.8 million (2015: € 3.3 million).

Changes in other comprehensive income

In millions of euros	2016	2015
At 1 January	-753.7	-890.2
Actuarial gains and (losses) on pension obligations due to changes in demographic assumptions	-16.5	-0.1
Actuarial gains and (losses) on pension obligations due to changes in financial assumptions (mainly discount rate change)	-205.5	110.2
Actuarial gains and (losses) on pension obligations due to adjustment for funding agreement	-31.9	-52.0
Actuarial gains and (losses) on pension obligations due to experience adjustments	32.4	31.3
Actuarial gains and (losses) on pension assets	20.0	33.8
Actuarial gains and (losses) due to change in asset ceiling	-0.4	0.9
Other	-	-
Total changes in other comprehensive income	-201.9	124.1
Actuarial gains and (losses) disposed	-	12.4
At 31 December	**-955.5**	**-753.7**

Due to the settlement of the Dutch pension plan at year-end 2016, actuarial gains and losses (gross of tax) are transferred to retained earnings for an amount of € 959.9 million.

Sensitivity analysis of defined benefit obligations

In millions of euros	Impact on equity 2016	Impact on equity 2015
Interest rate risk +25 bps	3.1	101.6
Interest rate risk -25 bps	-3.1	-101.6
Value of equity shares +10%	-2.0	-65.2
Value of equity shares -10%	2.0	65.2

The table above shows the effect of a 25 basis-point interest rate change for the total interest rate structure. The sensitivities are based on the plan assets and the reimbursement rights. At year-end 2015, a change in mortality rate did not have a direct impact on equity or the result, as the impact was first recognised at the expense or in favour of the surplus. Due to the settlement of the Dutch pension plan at year-end 2016, the sensitivities for 2016 are solely based on the assets of Belgium's plans. At year-end 2016, a change in mortality rate by one year would have a direct effect on the pension obligation of € 0.6 million. See section 'Risk management,' subsection 'Sensitivity analysis' for a further explanation of the sensitivity analysis and the limitations of the analysis.

(30) Provisions for other liabilities

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

The restructuring provisions include redundancy payments to employees and the cost of non-cancellable rental commitments. Delta Lloyd recognises a provision for onerous contracts when the expected benefits are less than the unavoidable costs of meeting the obligations under the contract.

Provisions are measured as the best estimate of the expenditure required to settle the present obligation on the reporting date. Liabilities that do not meet the criteria for recognition as outlined above are disclosed as contingent liabilities, unless the possibility of an outflow of economic benefit is deemed to be remote.

Provisions at year-end

In millions of euros	2016	2015
Restructuring provisions	38.2	14.4
Provisions for employee equity compensation plan	1.9	1.4
Legal claims	2.7	4.9
Other provisions*	34.7	38.0
Total	**77.4**	**58.6**

* In 2016 'Legal claims' are displayed separately in the table. In previous years this was presented under 'Other provisions'.

Statement of changes in restructuring provisions

In millions of euros	2016	2015
At 1 January	14.4	7.2
Addition	38.6	15.9
Amounts released	-1.0	-0.1
Amounts withdrawn	-13.8	-8.8
Disposals	-	0.1
Transfer to held for sale category	-	0.1
At 31 December	**38.2**	**14.4**

During 2016, restructuring provisions were withdrawn (€ 13.8 million), mainly for the restructuring of the commercial and IT activities following the goals set in the 'Closer to the customer' strategy that started in 2015. Additions to the restructuring provision were made of € 38.6 million because of further reorganisation plans ('Organisation 2020') as part of the 'Closer to the customer' strategy.

Legal claims at year-end 2016 mainly relates to claims at Delta Lloyd Life Belgium (€ 1.9 million). The decrease in legal claims during the year mainly relates to Delta Lloyd Life Belgium (€ -2.1 million).

Other provisions mainly consist of the provision regarding exposed risk in relation to possible claims from customers concerning unit-linked insurance contracts of € 21.7 million (2015: € 21.7 million). Additionally, other employee benefits (e.g. the jubilee benefits scheme, mortality benefits scheme and compensation for social contributions), not being pension plans in accordance with IAS19, are included for an amount of € 8.0 million (2015: € 7.9 million).

Statement of changes in onerous contracts provision

In millions of euros	2016	2015
At 1 January	-	134.0
Addition	-	247.6
Withdrawal	-	-381.6
At 31 December	**-**	**-**

During 2015, provisions for onerous contracts related to the sale of Delta Lloyd Bank Belgium (22 July 2015), Delta Lloyd Deutschland (1 October 2015) and the private equity portfolio (31 December 2015) were all withdrawn.

(31) Income taxes

The tax expense is based on the taxable profits for the year, after any adjustments made for previous years and after any changes in deferred tax assets and liabilities. Tax is allocated to the result before taxation or to the reserves, as appropriate.

Deferred tax assets and deferred tax liabilities are recognised on all material temporary differences between the tax base of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available to use these tax assets. Deferred tax is presented on a net basis per fiscal entity. The principal temporary differences arise from depreciation of property, revaluation of financial assets and liabilities, including derivatives, insurance liabilities, pension obligations, other post-retirement benefits and tax losses carried forward. The rates enacted or decided upon on the reporting date are used to determine the deferred tax.

Deferred tax assets and liabilities caused by temporary differences in tax base at year-end

In millions of euros	2016	2015
Insurance liabilities	1,724.6	1,494.5
Investments	-2,029.9	-1,611.0
Equalisation reserve	-11.4	-11.2
Unused tax losses	243.7	91.5
Intangible fixed assets	-14.6	-18.2
Pension plans	513.1	496.0
Other	2.1	1.0
Total deferred tax asset (+), liability (-)	**427.7**	**442.6**

The full amount of tax assets and liabilities is expected to be recoverable or payable.

Deferred tax assets

In millions of euros	2016	2015
At 1 January	478.4	352.9
Recognised through the income statement	-98.6	92.4
Movement in other comprehensive income	77.3	10.4
Reclassification between deferred tax assets and liabilities	-	-7.9
Transfer to assets held for sale	-	0.7
Changes in group	-	29.9
At 31 December	**457.1**	**478.4**

Deferred tax liabilities

In millions of euros	2016	2015
At 1 January	35.8	42.7
Recognised through the income statement	-22.6	2.0
Movement in other comprehensive income	16.3	-1.0
Reclassification between deferred tax assets and liabilities	-	-7.9
Other movements	-0.2	-
At 31 December	**29.3**	**35.8**

The deferred tax assets and liabilities of companies that are part of the corporate tax entity Delta Lloyd NV are cumulated. The same approach is used for the corporate income tax entity Delta Lloyd ABN AMRO Verzekeringen Holding BV.

Tax assets on tax losses at year-end

In millions of euros	2016	2015
Delta Lloyd NV tax entity	240.5	81.1
Delta Lloyd Life	2.7	7.1
Consolidated investment funds	0.5	3.3
Total	**243.7**	**91.5**

In the Netherlands, tax losses are carried forward to a maximum of nine years. The tax loss of the Dutch fiscal entity Delta Lloyd NV is expected to be compensated within the available time frame. Taxable losses are recognised at an amount of € 961.9 million (2015: € 324.3 million).

In Belgium, the tax position consists of the combination of tax losses and notional interest deduction, which is a taxable interest deduction that reduces the taxable amount. The tax losses can be carried forward indefinitely. The regulations on the deduction of notional interest have changed, abolishing the carried forward period of seven years. As of 2012 the notional interest deduction is limited to the actual year. The existing notional interest deduction at the end of 2011 will, under certain conditions, be deductible for the remaining seven years.

The tax losses in Belgium are expected to be compensated within the next few years.

Delta Lloyd has recognised tax losses of € 972.0 million (2015: € 358.5 million). Companies classified as held for sale are not included in these amounts. Tax losses carried forward are recognised to the extent that realisation of the related tax benefit through future taxable profits is probable. The increase of the tax losses carried forward at Delta Lloyd is caused by a revaluation of the insurance liabilities for tax purposes by which future taxable losses were recognised in the current year.

Delta Lloyd has unrecognised a total tax loss of € 110.7 million (2015: € 115.8 million), of which € 107.2 million (2015: € 107.5 million) is related to the consolidated investment funds. Companies classified as held for sale are not included in these amounts. The unrecognized tax losses are not expected to be used in the future.

Tax charged to the income statement in the financial year

In millions of euros	2016	2015
Current tax liabilities	16.7	104.2
Adjustment for prior-year final assessments	-4.8	-0.1
Tax due for immediate payment	11.9	104.1
Originating from timing differences	75.6	-90.5
Measurement of deferred tax assets	0.5	-4.0
Total deferred tax	76.0	-94.5
Total tax charged to income statement	**87.9**	**9.6**

The categories of movements in deferred tax were as follows:

Movements in deferred tax in the income statement

In millions of euros	2016	2015
Insurance liabilities	-230.0	163.3
Investments	429.7	-343.9
Unused tax losses	-152.4	133.1
Intangible fixed assets	-3.6	-2.4
Pension plans	33.4	-42.0
Other movements	-1.0	-2.5
Total	**76.0**	**-94.5**

Tax charged to equity at year-end

In millions of euros	2016	2015
Deferred tax	-61.0	-18.1
Total tax charged to equity	**-61.0**	**-18.1**

Deferred tax charged to equity mainly relates to investments that are recognised directly into equity.

In 2016 and 2015, the nominal tax rates were 25.0% in the Netherlands, 33.99% in Belgium and 30.0% in Germany. The difference between the effective tax rate and the nominal tax rate is explained below:

Tax charged to the income statement in the financial year

In millions of euros	2016	2015
Result before tax from continuing operations	**360.2**	**150.4**
Tax calculated at standard Netherlands corporation tax rate of 25%	90.0	37.6
Non-assessable dividends	-6.2	-14.8
Impairment of 5% interests in investments	-1.5	4.1
Untaxed realised / unrealised gains and losses	7.1	-70.4
Non-deductable losses sale of subsidiaries	-	28.4
Transfers from/to non-capitalised losses in Belgium	0.5	-4.0
Tax rate difference with Belgium	6.2	13.2
Notional interest Belgium	-0.5	-1.1
Impairment on goodwill subsidiaries	0.4	5.3
Releases of tax provision	-7.1	5.7
Disallowable expenses	3.5	8.0
Other	-4.3	-2.2
Total tax charged to income statement	**87.9**	**9.6**

In 2016 the taxable profit of the fiscal unity Delta Lloyd N.V. was fully compensated by taxable losses carried forward because of which no actual cash outflow of taxes occurred. In the taxable profit in 2016 led to an actual cash payment of corporate income tax.

The effective tax rate in the income statement 2015 was low compared to the statutory rate due to the relatively high amount of tax exempted items in the net result before tax. The tax exempted income for 2015 mainly origins from the participation exemption on investments. Delta Lloyd does not use tax avoiding structures to reduce its effective tax rate.

(32) Borrowings

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

Description and features of loans at year-end

In millions of euros	2016	2015
Institutional investors	478.0	472.5
Institutional investors perpetual loan	744.6	743.8
Fonds NutsOHRA perpetual loan	136.0	136.0
Subordinated debt	1,358.6	1,352.4
Securitised mortgage loan notes valued at fair value	-	468.8
Securitised mortgage loan notes valued at amortised cost	2,007.8	1,754.4
Securitised mortgage loan notes	2,007.8	2,223.2
Medium-term note	574.4	573.7
Commercial paper	40.0	164.9
Convertible loan	2.0	2.0
Other borrowings	616.4	740.5
Total	**3,982.8**	**4,316.2**

Subordinated debt

Since 2012, Delta Lloyd has a € 500.0 million subordinated loan. The fair value of this loan was € 632.5 million at year-end 2016 (2015: € 586.2 million). A subordinated loan of € 12.0 million issued in 2009 is presented under institutional investors. The fair value of this loan was 12.5 million at year-end 2016.

In 2014, Delta Lloyd placed a € 750.0 million fixed-to-floating-rate subordinated note transaction. The fair value of the subordinated perpetual loan at year-end 2016 was € 726.6 million (2015: € 634.5 million). The notes were issued under the existing Delta Lloyd EMTN programme. The notes qualify as Tier 1 restricted capital for Delta Lloyd under SII. The value of the notes under SII is determined based on the own credit standing at initial recognition, which results in a difference of valuation of the notes under SII and IFRS as presented in here. Standard & Poor's Ratings Services has assigned a BB-rating to the notes.

Perpetual subordinated loan notes with an initial interest rate of 2.5% were issued to finance the acquisition of Nuts OHRA Beheer BV in 1999. The notional amount at year-end 2016 was € 404.7 million (2015: € 404.7 million) and the carrying amount was € 136.0 million (2015: € 136.0 million).The interest rate on the notes was 2.76% at year-end 2016 (2015: 2.76%) and the fair value of the subordinated loan was € 292.3 million (2015: € 209.2 million). On 6 November 2015, Delta Lloyd and Stichting Fonds NutsOhra came to an amendment agreement regarding the convertible subordinated loan. The changes consider primarily the interest payments (deferral thereof) and redemption restrictions for a maximum of three years. The amendment is at the request of Delta Lloyd so the loan can be accounted for as additional capital under Solvency II rules. As compensation for the amendment of the terms Stichting Fonds NutsOhra is entitled to a maximum of € 22.5 million if the maximum three-year restriction term is used. This compensation will be amortised to the income statement over the restriction term.

In the event of bankruptcy, subordinated loans rank lower than other liabilities but higher than preference and other shareholders. The perpetual subordinated loan extended to Stichting Fonds NutsOHRAranks below other subordinated loans.

Securitised mortgage loan notes

A part of the mortgage portfolio of Delta Lloyd is pooled and transferred to special purpose vehicles (securitisation companies). To fund the acquisition of the mortgages, these special purpose vehicles (SPVs) issue notes known as Arena notes. Delta Lloyd is not obliged to support these vehicles by funding any losses that may be suffered by the note holders other than those arising from the structure. The notes have been issued on the basis that the note holders are only entitled to receive payment of principal and interest to the extent to which the available resources of the securitisation companies concerned are sufficient. This is including funds due from customers regarding the securitised loans. Delta Lloyd has no right or obligation to repurchase the liabilities prior to the optional call date, except if, in certain circumstances, they are in breach representation and/or warranties.

Securitised mortgage loan notes at fair value at year-end

In millions of euros	Fair value 2016	Fair value 2015	Contract maturity date	Anticipated maturity date	Interest rate
Arena 2011-II	-	568.4	09/2043	12/2015 / 09/2016	floating, range 0.1% - 1.9%
Eliminations	-	-99.5			
Total	**-**	**468.8**			

In September 2016 Amstelhuys has redeemed Arena 2011-II notes € 531.0 million.

Securitised mortgage loan notes at amortised cost at year-end

In millions of euros	Amortised cost 2016	Amortised cost 2015	Contract maturity date	Anticipated maturity date	Interest rate
Arena 2012-I	511.9	570.7	11/2044	11/2017	floating, 1.99%
Arena NHG 2014-I	621.7	704.0	04/2046	04/2019	floating, range 0.0% - 1.1%
Arena NHG 2014-II	651.4	734.4	04/2046	04/2020	floating, range 0.0% - 0.8%
Arena NHG 2016-I	589.2	-	07/2048	07/2021	floating, range 0.0% - 0.3%
Eliminations	-366.4	-254.8			
Total	**2,007.8**	**1,754.4**			

The fair value of these loan notes on year-end 2016 was € 2,026.4 million (2015: € 1,769.9 million).

The eliminations of the securitised mortgage loan notes relate to Arena 2012-I at Amstelhuys for € 59.2 million (2015: € 57.2 million) and Arena 2012-I at Delta Lloyd Levensverzekering for € 21.8 million (2015: € 25.6 million). Arena NHG-2014-I and Arena NHG-2014-II are eliminated at Delta Lloyd Bank Nederland for € 172.0 million (2015: € 172.0 million). Arena NHG-2016-I is eliminated at Delta Lloyd Bank Nederland for € 113.4 million.

Delta Lloyd securitised a portfolio of mortgages loans in June 2016. The issue involved an amount of € 622.6 million under the name of Arena NHG 2016-I. The loans are backed by the Dutch national mortgage guarantee scheme NHG. The contract maturity date is July 2048 and the anticipated maturity date is July 2021. The Class A1 and Class A2 notes have a floating interest rate, while the Class A3 notes are fixed at 0.273%. The trances with the highest risk are held as own book for an amount of € 113.4 million.

Of the fair value gains and losses (revaluations) on borrowings at fair value through profit and loss there is no amount attributable to changes in credit risk.

The notes are mortgage collateralised. The tranches of the notes at the SPVs with the highest risk (those that are first in line not to be paid out should credit problems occur) are held at own risk for Delta Lloyd. Delta Lloyd expects the credit risk for external parties is close to zero and no credit risk is expected.

Statement of changes in borrowings

In millions of euros	2016	2015
At 1 January	4,316.2	5,322.9
New borrowings	540.0	522.3
Restructuring borrowings	-2.6	-
Repayments of borrowings	-872.5	-1,542.1
Net cash inflow / outflow	-335.1	-1,019.8
Revaluation	-5.2	-5.9
New borrowings due to change in group structure	-	12.0
Other movements	6.9	7.1
At 31 December	**3,982.8**	**4,316.2**

New borrowings of € 540.0 million (2015: € 522.3 million) mainly consist of new issued securitised loan note the Arena NHG 2016-I BV (Arena 2016) amounting € 500.0 million. Total repayments on securitised mortgage loan notes were € 872.5 million and relate mainly to the redemption of Arena 2011-I notes. Commercial papers amounts to a total of € 40.0 million (2015 € 164.9 million). These have repayments throughout the year.

(33) Financial liabilities

Financial liabilities at year-end

In millions of euros	2016	2015
Savings	2,826.7	2,695.9
Demand deposits	2,164.2	1,386.1
Deposits	723.0	981.0
Customer savings and deposits	5,713.9	5,063.0
Other financial liabilities	182.0	122.8
Financial liabilities	**5,895.9**	**5,185.7**
Expected to be settled within one year	3,759.0	3,041.0
Expected to be settled in more than one year	2,136.9	2,144.7
Total	**5,895.9**	**5,185.7**

The increase in demand deposits is due to collateral repayment obligations primarily held by Delta Lloyd Levensverzekeringen.

(34) Other liabilities

Other liabilities at year-end

In millions of euros	2016	2015
Payables arising from direct insurance	361.5	254.8
Payables arising from reinsurance	49.6	48.9
Deposits received from reinsurers	330.0	343.0
Accruals and deferred income	611.2	757.8
Short-term creditors	3,368.6	600.0
Total	**4,720.8**	**2,004.6**
Expected to be settled within one year	4,720.8	2,004.6
Total	**4,720.8**	**2,004.6**

Like last year, other liabilities are expected to be settled within one year.

The amount under short-term creditors has increased significantly due to a reclassification of the defined benefit obligation to short-term creditors of € 2,730.9 million (see section 'Pension obligations').

(35) Contingent assets and liabilities

Uncertainty over claims provisions

Section 'Insurance liabilities' gives details of the estimation techniques and assumptions used to determine the provisions for the general insurance business and for the life insurance business. The assumptions are designed to ensure that the provisions for future liabilities, including any future bonuses, are prudent. Both are expected to give an estimated result. Due to the nature of the estimation process, there is uncertainty about this future liability, for example where actual outcomes are worse than assumed for the general insurance business, or where assumptions about inflation of life business claims may change in the future.

Asbestos, pollution and other environmental hazards

Companies in Delta Lloyd receive general insurance liability claims as part of their insurance business that could lead to actual or threatened litigation. This includes claims in respect of pollution and other environmental hazards. Among these are claims relating to asbestos production and handling in the . The ultimate cost cannot be determined with certainty, given the significant delays experienced in receiving notification of these claims, the number of potential claims involved, and the uncertainties associated with establishing liability. Delta Lloyd's net exposure to such liabilities is further explained in section 'Insurance liabilities'. On the basis of current information and taking into account the level of provisions made for these specific general insurance claims, Delta Lloyd considers it unlikely for any additional costs arising to have a material impact on its financial position.

Guarantees

Delta Lloyd has granted warranties as part of its insurance contracts. These warranties are taken into account in the calculation of the insurance liabilities. Warranties have also been granted with respect to investment properties. No other material warranties have been granted.

Litigation

Several claims against Delta Lloyd have been filed, all of which are being contested. Although the outcome of these claims may be subject to a variety of variables and known and unknown uncertainties, Delta Lloyd does not expect these claims to have a material adverse effect on Delta Lloyd's financial position.

Accordingly, no significant provisions have been made in this respect.

The main pending legal proceedings are:

Fubon

Fubon Life Insurance Co., Ltd. (Fubon) has claimed (2016) compensation by Delta Lloyd for the loss in value of its investment. On 16 March 2016, Fubon and Delta Lloyd signed a heads of agreement agreeing that pending discussions concerning an enhanced partnership should continue and detailing certain arrangements which are intended to form the basis for further discussion. In the heads of agreement no provisions are made for the Fubon-claim regarding compensation by Delta Lloyd for the loss in value of its investment in Delta Lloyd's accelerated book building offering in March 2015.

Delta Lloyd Asset Management and Delta Lloyd Levensverzekering versus Lioncross Ltd.

Delta Lloyd Asset Management and Delta Lloyd Levensverzekering are involved in a legal dispute with Lioncross Ltd ("Lioncross"). On 19 August 2015, Lioncross sued Delta Lloyd Asset Management and Delta Lloyd Levensverzekering, claiming payment of USD 29.1 million. According to Lioncross Delta Lloyd Asset Management and DLL were in breach of contractual obligations by voting against a restructuring of Rolsa NV. Delta Lloyd Asset Management and Delta Lloyd Levensverzekering believe the Lioncross claim is based on forged documents and both Delta Lloyd Asset Management and Delta Lloyd Levensverzekering deny any and all liability. On 10 August 2016, the Amsterdam Court gave an interim judgement in the proceedings. The Court ruled that Lioncross has to prove that the documents which DLAM and Delta Lloyd Levensverzekering consider to be forged are validly existing. Delta Lloyd Asset Management and Delta Lloyd Levensverzekering will have the opportunity to provide counter-evidence. Witness hearings are scheduled for May 2017.

Delta Lloyd/Amstelhuys vs. PT Consultancy/ Tiel

The claim is based on an alleged breach of contract or act of tort in relation to the termination of a cooperation regarding a financial product. The initial claim was approximately € 2.4 million and has been increased to approximately € 97.0 million and later to approximately € 120 million. Delta Lloyd did not yet receive a summons (*dagvaarding*). As a result, the exact (legal) grounds for the claim are not completely clear. In the past, potential settlement options have been discussed with PT Consultancy B.V., but those settlement negotiations have failed. Delta Lloyd contests all claims.

PT Consultancy has requested the District Court of Amsterdam. On 18 August 2016, the District Court of Amsterdam denied PT Consultancy's motion to be allowed to hold preliminary hearings (*verzoek tot het houden van een voorlopig getuigenverhoor*) regarding the alledged claim. Tiel filed an appeal on 18 November 2016.

On 6 November 2016 Amstelhuys received a writ of summons by Mr and Mrs Tiel claiming that Amstelhuys NV neglected its duty of care towards them and providing them with excessive credit regarding their private residence. Amstelhuys has filed its defence with the court.

Swiss Life NV

In Belgium, 230 people have filed civil claims against Delta Lloyd Life NV (formerly Swiss Life NV) in relation to alleged mis-selling of investment products by Spaar Select. The court has set the date of trial for 6 September 2017. Parties are exploring the possibility to reach a settlement. A settlement is expected in the first quarter of 2017.

At the time of the acquisition of Swiss Life Belgium by Delta Lloyd Life in Belgium, the acquisition agreement provided Delta Lloyd Life in Belgium with a specific indemnity for damages in respect of the Spaar Select matter, which the Group believes sufficiently protects its interests.

Econcern

On 9 May 2014, Delta Lloyd Asset Management and the curator of sustainable energy company Econcern filed a joint complaint with the Accountantskamer (the disciplinary body for auditors) against the two PwC auditors responsible for the audit assignment at Econcern, which was declared bankrupt in 2009. In addition, on 21 May 2014, Delta Lloyd Levensverzekering and Rabobank, in consultation with SHV, held PwC (and the two auditors in their personal capacities) severally liable for the alleged damage caused by the bankruptcy of Econcern. Filing the complaint and the liability accountability were motivated by the risk of the end of the statutory term and the fact that the curator wanted to take a settlement with PwC outside the judicial process. The hearings before the Accountantskamer took place on 18 and 20 August 2014.

In its ruling on 13 October 2014, the Accountantskamer upheld the complaint and imposed disciplinary measures on the two auditors. On 6 January 2015, both auditors lodged an appeal against the decision to the Trade and Industry Appeals Tribunal (College van Beroep voor het Bedrijfsleven) in The Hague. Delta Lloyd is assessing its next steps. The appeal is still pending.

SCOR Global Life

Delta Lloyd Life in Belgium and SCOR Global Life (SCOR) disagree on the interpretation of the terms regarding termination by SCOR of a Life Reinsurance contract entered into between Delta Lloyd Life in Belgium and SCOR in 2009. SCOR terminated the contract on 31 July 2013. SCOR is of the opinion that the contract, after termination, remains in force until the 'natural expiry' of the remaining insurances in the portfolio, representing a contract value for SCOR of approximately € 9.0 million. Delta Lloyd Life disputes the opinion of SCOR, and refuses any continuation or damage. SCOR has initiated arbitral proceedings for damages for an amount of € 9.5 million. The arbitral proceedings began in June 2015 and the arbitral ruling is expected in 2017.

Bank Nagelmackers

Bank Nagelmackers (former Delta Lloyd Bank Belgium) send a notice of default to Delta Lloyd Life in Belgium claiming commission fee's of € 18.0 million. Parties have different opinions regarding the interpretation of the distribution arrangement made by them in connection with the sale of Delta Lloyd Bank Belgium to Anbang in 2015 (the amount of commissions due). Delta Lloyd Life will provide Nagelmackers with a reaction to the notice of default in January 2017.

Athene Lebensversicherung and Athene Deutschland

Several claims have been brought against Delta Lloyd by Athene Lebensversicherung AG (Athene Lebensversicherung), the former Delta Lloyd Lebensversicherung AG, and its parent company, Athene Deutschland GmbH (the former Delta Lloyd Deutschland AG, formed after the merger with Athene Holding Ltd (Athene Deutschland). End of November 2016 Athene Deutschland GmbH ("Athene") has initiated arbitration proceedings against Delta Lloyd N.V. ("Delta") under the DIS Arbitration Rules. The Statement of Claim dated 29 November 2016 was served on Delta Lloyd N.V. on 20 December 2016. The Statement of Claim includes claims regarding all of the four matters already raised in the draft Statement of Claim which Athene provided to Delta with its letter of 17 October 2016 (Janssen & Helbing, Gries & Heissel VAT Litigation, RfB 2014, and iArena Notes). Accordingly, the preliminary amount in dispute still is € 21.5 million.

Delta Lloyd is exposed to the possible risk of claims from customers concerning unit-linked insurance contracts

Following the public debate that began in 2006 around the alleged lack of transparency concerning unit-linked insurance contracts and the level of costs associated with these products, Delta Lloyd entered into agreements in 2008 and 2010 with consumer and investor interest groups (Stichting Verliespolis, Stichting Woekerpolis Claim, Vereniging van Effectenbezitters and Vereniging Eigen Huis). The agreements include a settlement on standardised charges for individual, privately-held unit-linked insurance products purchased in the past. The Wabeke recommendation was taken into account by determining the compensation. An arrangement was also made for customers in 'distressed' situations. In 2013, Delta Lloyd added the compensation directly to the policies and is therefore included in the insurance liabilities, a method recommended by the Ministry of Finance.

Other than a very small number of complaints filed with the Financial Services Complaints Tribunal (Klachteninstituut Financiële Dienstverlening /Kifid) and one individual claim (for a very limited amount) filed in court, there are currently no claims or proceedings initiated against Delta Lloyd, individually by policyholders or by consumer-interest organizations on their behalf.

On 29 March 2016 Kifid has published two rulings that (a.o.) address the duty of insurers to provide information to their policyholders.

One ruling refers to Nationale Nederlanden (NN Group) and provides an interpretation by Kifid of the judgement of 29 April 2015 by the EU Court of Justice regarding the question whether insurers are required to provide their policyholders with certain information additional to that listed in the EU Third Life Assurance Directive. Kifid ruled that (a.o.) NN Group was required to provide its customer with information regarding the 'eerste kosten' of the policy. NN Group will almost certainly launch an appeal. Such proceedings could take several years and the outcome thereof is uncertain. Since there are many different types of unit-linked policies and the information provided to clients on these policies varies by customer, it is inherently difficult to predict the impact of a court ruling (or a decision of the Court of Appeals or Dutch Supreme Court, if any) in an individual case such as the NN-case at hand, on the insurance business as a whole, including the impact on Delta Lloyd's unit-linked portfolio.

The second ruling refers to ABN AMRO Verzekeringen. In this specific case ABN AMRO Verzekeringen could not prove that it had provided the customer with specific information regarding the unit-linked insurance (more specific: TER and 'Hefboom/inteer-effect').Because this ruling refers to an individual case and specific circumstances, it is not possible to predict the impact on ABN AMRO Verzekeringen unit-linked portfolio.

On 9 March 2016, the District Court Midden Nederland ruled (taking into account the abovementioned judgement of 29 April 2015 by the Court of Justice) that insurers were not required to provide their customer with information regarding the specific cost categories of their insurance, given the applicable regulation at that time (RIAV and CRR). This is an important judgement since it is contrary to the judgment of Kifid in the NN Group case mentioned above.

Other

Delta Lloyd and several of its subsidiaries have guaranteed the overdraft and borrowings of certain subsidiaries and associates. In addition, in line with standard industry practice, various subsidiaries have, in recent years, given guarantees, indemnities and warranties in connection with disposals of subsidiaries and associates in third parties. In the opinion of Delta Lloyd, no material loss will arise in respect of these guarantees, indemnities and warranties. The nature of the guarantees and security provided does not require them to be measured in accordance with IAS 39.

(36) Off-balance sheet positions

Off-balance sheet commitments

Contingent liabilities, including credit facilities granted and guarantees issued for the liabilities of third parties, are not recognised in the statement of financial position as their existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within Delta Lloyd's control. The amount of these obligations cannot be measured with sufficient reliability.

The maximum potential credit risk of these contingent liabilities is stated. In order to determine the maximum potential credit risk the assumption is that all counterparties will fail to meet their contractual obligations and that all collateral received has no value.

Leases

Leases in which a significant portion of the risk and reward of ownership are retained by the lessor are recognised as operating leases. Payments made as a lessee under operating leases (net of any incentives received from the lessor) are recognised in the income statement on a straight-line basis over the lease period, unless another systematic basis is more representative of the time pattern in which users benefit. There are no material financial leases affecting Delta Lloyd as either lessor or lessee.

Contractual commitments for acquisitions of capital expenditure on investment property and property and equipment not recognised on the statement of financial position are as follows:

Off-balance sheet liabilities at year-end

In millions of euros	2016	2015
Investment property	-	20.6
Contingent liabilities	612.1	439.4
Operational lease commitments rental	111.1	130.3
Within one year	15.2	16.8
Between one and five years	62.1	65.6
More than five years	33.7	47.9
Operational lease commitments non-rental	6.1	6.4
Within one year	2.3	2.9
Between one and five years	3.8	3.5
More than five years	-	-
Total	**729.3**	**596.7**

Contingent liabilities include irrevocable facilities of € 556.3 million (2015: € 373.1 million), which mainly consist of mortgage credit, investment loans and consumer credit. The increase in irrevocable facilities is mainly related to the pipeline of mortgages.

All the leases are eligible for renewal. There are no subleases to third parties. The decrease in the operational lease commitments is due to the fact that prior year figures included the sale of the subsidiary Delta Lloyd Vastgoed Kantoren, as the rental agreements for the office buildings in Amsterdam and Arnhem were included in the sale.

Off-balance sheet receivables at year-end

In millions of euros	2016	2015
Operational lease receivables rental	37.8	38.9
Within one year	5.7	5.8
Between one and five years	17.1	19.0
More than five years	15.0	14.1
Operational lease receivables non-rental	31.7	33.0
Within one year	-	-
Between one and five years	31.7	33.0
More than five years	-	-
Total	**69.6**	**71.9**

Rental receivables at year-end 2016, were € 37.8 million (2015: € 38.9 million) and related to property investments held by Delta Lloyd Life Belgium.

The non-rental receivables of € 31.7 million due from LeasePlan and Athlon on 31 December 2016 are for the financing of Delta Lloyd's vehicle fleet (2015: € 33.0 million). The non-rental receivables within one year regarding LeasePlan and Athlon are accounted for in the statement of financial position; these amount to € 7.9 million (2015: € 8.3 million).

(37) Fair value of assets and liabilities

Financial assets and liabilities are categorised according to the following fair value hierarchy. Transfers between levels of the fair value hierarchy are deemed to occur at the end of the reporting period.

Published prices in active markets ('Level 1')

Fair value measured at level 1 only uses quoted prices (unadjusted) in active markets for identical assets and liabilities. An active market is one in which transactions take place with sufficient frequency and volume so that prices are regularly available. Examples are equity securities, bonds and investment funds listed on active markets.

Measurement method based on significant observable market inputs ('Level 2')

Fair value measured at level 2 uses inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. If an asset or liability has a given contractual term, a level 2 input variable must be observable for practically the full term of that asset or liability. Level 2 involves the following input variables:

- Quoted prices for similar (i.e. not identical) assets/liabilities in active markets;
- Input variables other than quoted prices observable for the asset (for example, interest rates and yield curves observable at customary intervals, volatility, early redemption spreads, loss ratio, credit risks and default percentages);
- Input variables arising mainly from or confirmed by observable market data by correlation or othermeans (market-confirmed inputs).
- For derivatives the value used by Central Clearing Houses.

Examples of assets or liabilities at level 2 are financial instruments measured using discounted cash flow models. These are based on observable market swap yields (such as securitised mortgages or private interest rate derivatives), on investment property measured using observable market data and quoted debt instruments or equity securities in a non-active market.

Measurement method not based on significant observable market inputs ('Level 3')

Fair value measured at level 3 significantly uses inputs for the asset or liability that are not based on observable market data. Unobservable inputs can be used if observable inputs are not available, and so fair value can still be measured at the reporting date in situations in which there is no or almost no active market for the asset or liability. For private equity investments and private placements external broker quotes are used when the market is no longer transparent and/or liquid. These broker quotes are challenged twice a year by obtaining quotes from other brokers as well. The value of Delta Lloyd's own broker is leading, but when the difference between the brokers is significant additional information is obtained and a best estimate is made based on all available information. Investment property is reported under level 3 if there is no active market.

A small percentage of the total assets are measured at fair value based on estimates and recorded as level 3.

The tables below show assets and liabilities measured at fair value and the total carrying value to maintain the link with the relevant statement of financial position items.

Assets at year-end

In millions of euros	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Property and equipment	53.1	69.1	-	69.1	-
Investment property	1,173.6	1,173.6	-	1,060.0	113.7
Debt securities	29,535.2	29,535.2	29,179.4	246.3	109.5
Equity securities	1,123.9	1,123.9	472.3	331.2	320.4
Derivatives	2,182.3	2,182.3	0.5	2,175.1	6.7
Loans at fair value through profit or loss	5,758.8	5,758.8	-	5,730.6	28.2
Loans and receivables at amortised cost	13,392.5	15,084.7	-	15,084.7	-
Receivables and other financial assets	1,194.8	1,194.8	20.0	1,174.8	-
Accrued interest and prepayments	562.9	562.9	362.0	200.7	0.2
Cash and cash equivalent	3,810.9	3,810.9	3,810.9	-	-
Total assets for own risk	58,788.0	60,496.3	33,845.1	26,072.5	578.6
Investments at policyholders' risk	13,531.7	13,531.7	12,925.7	543.9	62.2
Third party interests in consolidated investment funds	2,543.5	2,543.5	2,467.8	36.6	39.1
Total	**74,863.1**	**76,571.4**	**49,238.5**	**26,653.0**	**679.9**

Assets at prior year-end

In millions of euros	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Property and equipment	55.1	72.4	-	72.4	-
Investment property	1,052.2	1,052.2	-	953.9	98.3
Debt securities	28,342.1	28,342.1	28,072.2	235.6	34.3
Equity securities	2,169.3	2,169.3	1,338.3	435.3	395.7
Derivatives	1,675.9	1,675.9	2.1	1,525.9	147.9
Loans at fair value through profit or loss	5,235.9	5,235.9	-	5,209.4	26.5
Loans and receivables at amortised cost	10,676.9	11,972.1	-	11,972.1	-
Receivables and other financial assets	1,376.8	1,416.5	25.9	1,390.5	-
Accrued interest and prepayments	539.0	539.0	397.3	141.7	0.1
Cash and cash equivalent	2,503.4	2,503.4	2,503.4	-	-
Total assets for own risk	53,626.5	54,978.7	32,339.2	21,936.9	702.7
Investments at policyholders' risk	14,604.0	14,604.0	13,863.8	660.6	79.6
Third party interests in consolidated investment funds	3,371.2	3,371.2	3,267.4	65.8	38.0
Total	**71,601.7**	**72,953.9**	**49,470.4**	**22,663.3**	**820.4**

Financial liabilities at year-end

In millions of euros	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Liabilities for investment contracts					
Liabilities for investment contracts designated at fair value	6,472.9	6,472.9	1,551.0	4,921.9	-
Liabilities for investment contracts at amortised cost	445.4	481.2	-	481.2	-
Total liabilities for investment contracts	6,918.3	6,954.1	1,551.0	5,403.1	-
Subordinated debt	1,358.6	1,663.9	1,359.1	304.8	-
Securitised mortgage loan notes					
Securitised mortgage loan notes designated at fair value	-	-	-	-	-
Securitised mortgage loan notes at amortised cost	2,007.8	2,026.4	1,515.9	510.6	-
Total securitised mortgage loan notes	2,007.8	2,026.4	1,515.9	510.6	-
Other borrowings					
Medium-term note	574.4	596.8	596.8	-	-
Commercial paper	40.0	40.0	40.0	-	-
Convertible loan	2.0	1.1	-	1.1	-
Total other borrowings	616.4	637.9	636.8	1.1	-
Derivatives	790.0	790.0	-	790.0	-
Customer savings and deposits	5,713.9	5,964.4	3,064.1	2,900.3	-
Other financial liabilities	182.0	182.0	-	182.0	-
Total financial liabilities for own risk	17,587.0	18,218.7	8,126.8	10,091.9	-
Investments at policyholders' risk	10.6	10.6	-	10.6	-
Third party interests in consolidated investment funds	2,543.5	2,543.5	-	2,543.5	-
Total	**20,141.0**	**20,772.7**	**8,126.8**	**12,645.9**	**-**

Financial liabilities at prior year-end

In millions of euros	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Liabilities for investment contracts					
Liabilities for investment contracts designated at fair value	5,839.7	5,839.7	1,147.6	4,692.0	-
Liabilities for investment contracts at amortised cost	464.8	506.1	-	506.0	-
Total liabilities for investment contracts	6,304.5	6,345.8	1,147.6	5,198.1	-
Subordinated debt	1,352.4	1,442.4	1,220.7	221.7	-
Securitised mortgage loan notes					
Securitised mortgage loan notes designated at fair value	468.8	468.8	468.8	-	-
Securitised mortgage loan notes at amortised cost	1,754.4	1,769.9	1,362.5	407.4	-
Total securitised mortgage loan notes	2,223.2	2,238.7	1,831.4	407.4	-
Other borrowings					
Medium-term note	573.7	609.7	609.7	-	-
Commercial paper	164.9	164.9	164.9	-	-
Convertible loan	2.0	0.8	-	0.8	-
Total other borrowings	740.5	775.3	774.6	0.8	-
Derivatives	991.9	991.9	-	991.9	-
Customer savings and deposits	5,063.0	5,269.4	2,310.9	2,958.5	-
Other financial liabilities	122.8	122.8	-	122.8	-
Total financial liabilities for own risk	16,798.3	17,186.4	7,285.2	9,901.1	-
Investments at policyholders' risk	21.7	21.7	-	21.7	-
Third party interests in consolidated investment funds	3,371.2	3,371.2	-	3,371.2	-
Total	**20,191.2**	**20,579.2**	**7,285.2**	**13,294.1**	**-**

The fair value of assets and liabilities is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under the current market conditions. The way the fair value is established for each statement of financial position category is set out below.

Assets

Property and equipment, investment property and inventory of real estate projects
The fair value is assessed by qualified external appraisers, in compliance with international valuation standards published by the International Valuation Standards Committee and/or the regulations and standards in the RICS valuation standards prescribed by the Royal Institution of Chartered Surveyors.

Desktop appraisals are performed every half year and full appraisals are carried out every three years. All investment properties in the Netherlands and Belgium were fully appraised at the end of 2016. Each appraisal is independently executed by two external appraisers. The main assumptions used in property appraisals are the current leases discounted by the gross initial yield. Also taken into account as assumptions are the best estimates of future renovations and maintenance and probability of vacancy, future rent discount and re-letting expectations.

The investment property of the Dutch residential portfolio and some of the owner-occupied properties are recognised under fair value level 2 because the property appraisals are based on observable data in active markets.

The fair value of equipment is not materially different from the carrying value. The carrying value is determined by historical cost less accumulated depreciation and impairment.

Financial instruments (debt securities, equity securities and derivatives)
Quoted prices in an active market ('unadjusted, market observable prices') are sought first. If such prices are not available or if there is no active market, financial instruments are measured using input available in the market other than market prices: measurement derived from pricing. If no direct external or derived market prices are available, Delta Lloyd uses brokers' quotes. This category includes measurement based on Delta Lloyd's own measurement models (for derivative financial instruments) and statements from fund managers (for private equity investments).

Loans at fair value through profit or loss and loans and receivables at amortised cost
The fair value of loans (including mortgages) and receivables is estimated by comparing discounted future cash flows using market interest rates at the date the loan was granted against current market interest rates for similar loans and advances at the reporting date. The measurement model takes into account observable as well as non-observable inputs. As far as possible, the input for the model uses observable market data rather than unobservable data. With regard to the mortgage portfolio, observable inputs used were risk-free interest rates (swap), illiquidity/funding spreads (RMBS spreads) and an extra spread to incorporate additional market observable data (i.e. primary consumer pricing). Non-observable inputs included servicing cost, early repayment probabilities, credit spreads, and a solvency spread for future parameter uncertainty. Since 2016, the valuation of the mortgage portfolio is solely based on the primary consumer pricing minus cost components. This change has no impact on the valuation, since the previous methodology already incorporated the primary consumer pricing in an additional spread.

The loans included in each of the two different categories have similar characteristics. Therefore no separate categories are presented.

Receivables, other financial assets and cash and cash equivalents
The carrying value of receivables and other financial assets is regarded as a good approximation of the fair value, as these assets have a short-term nature.

Financial liabilities

Liabilities for investment contracts
The fair value of the provision for non-participating investment contracts is initially established through the use of prospective discounted cash flow techniques. For unit-linked contracts, the value of the liability equals the fair unit-fund value, plus additional provisions for guaranteed returns, if required. The fair value of discretionary participating investment contracts is the same as that for life insurance contracts.

Financial instruments (subordinated loans, medium-term notes, commercial paper, convertible loans)
The fair value of financial instruments presented at level 1 is recorded at the relevant market listing. The fair value of financial instruments recorded at level 2 are estimated by discounting future cash flows using the discount rate applicable for similar financial instruments at the reporting date.

Securitised mortgages loan notes
If the securitised mortgages loan notes are actively traded on the market, the quoted prices are used. If this is not the case, fair value is calculated by discounting the expected cash flows at the market interest rates.

Amounts owed to credit institutions
The fair value of amounts owed to credit institutions is not materially different from the carrying value.

Other borrowings and other financial liabilities
The carrying value of other borrowings and other financial liabilities is regarded as a good approximation of the fair value.

The tables below offer additional information on financial instruments for which there are insufficient observable market inputs (level 3 of the fair value hierarchy).

Statement of changes in financial instruments/other investments within level 3 at year-end

In millions of euros	Investment property	Debt securities	Equity securities	Derivatives	Loans at fair value through profit or loss	Accrued interest and prepayments	Investments at policyholders' risk	Third party interests in consolidated investment funds	Total
At 1 January	98.3	34.3	395.7	147.9	26.5	0.1	79.6	38.0	820.4
Additions	19.5	26.1	11.2	-	5.0	0.1	22.2	4.6	88.6
Disposals	-2.2	-17.6	-80.9	-136.5	-8.4	-	-38.4	-8.3	-292.2
Changes in fair value recognised through equity	-	0.2	-15.5	-	-	-	-	-	-15.3
Changes in fair value recognised through profit and loss	-1.9	-2.0	9.9	-4.7	5.0	-	-1.1	4.8	10.0
Transfer into level 3	-	70.7	-	-	-	-	-	-	70.7
Transfer out of level 3	-	-2.2	-	-	-	-	-	-	-2.2
At 31 December	**113.7**	**109.5**	**320.4**	**6.7**	**28.2**	**0.2**	**62.2**	**39.1**	**679.9**

Statement of changes in financial instruments/other investments within level 3 at prior year-end

In millions of euros	Investment property	Debt securities	Equity securities	Derivatives	Loans at fair value through profit and loss	Accrued interest and prepayments	Investments at policyholders' risk	Third party interests in consolidated investment funds	Total
At 1 January	576.4	18.7	1,009.0	163.3	14.8	-	64.6	0.3	1,847.1
Additions	6.9	23.0	39.5	13.0	11.7	0.1	30.4	37.7	162.3
Disposals	-482.8	-4.1	-590.0	-4.5	-	-	-14.4	-	-1,095.8
Changes in fair value recognised through equity	-	0.1	-40.5	-	-	-	-	-	-40.4
Changes in fair value recognised through profit and loss	-2.2	-3.4	6.9	-23.9	-	-	-1.0	-	-23.6
Transfer to held for sale	-	-	-29.2	-	-	-	-	-	-29.2
At 31 December	**98.3**	**34.3**	**395.7**	**147.9**	**26.5**	**0.1**	**79.6**	**38.0**	**820.4**

Transfers from level 2 to level 1 amounted to € 21.7 million (2015: nil) and transfers from level 1 to level 2 amounted to € 1.8 million (2015: € 0.5 million) related to debt securities.

Transfers from level 2 to level 3 amounted to € 17.6 million (2015: nil) related to debt securities; this was due to a decreased frequency of prices. Transfers from level 1 to level 3 amounted to € 53.1 million (2015: nil) related to debt securities too.

The total accumulated unrealised gains and losses on level 3 investments recognised in the income statement, which amount to € 1.4 million (year-end 2015: € -41.0 million), comprise gains and losses on investment property, debt securities, equity securities and financial assets at policyholders' risk and derivatives. These gains and losses are presented in the line item 'investment income' in the consolidated income statement.

The total accumulated unrealised revaluation of the investments on level 3 at year-end 2016, which amounts to € 64.6 million (2015: € 91.7 million), through other comprehensive income, results from debt securities and equity securities held as available for sale. These gains and losses are recognised in the 'revaluation reserve' in the consolidated statement of comprehensive income. The realised gains and losses are transferred to income statement and presented as line item 'realised gains and losses on investments classified as available for sale'. The accumulated impairment of investments on level 3 held as available for sale at year-end 2016 was € 109.1 million (2015: € 110.4 million). The impairment on the level 3 investments in 2016 is € -1.3 million (2015: € 7.7 million).

A small percentage of the total assets are measured at fair value based on estimates and recorded as level 3. Where estimates are used, these are based on a combination of evidence from independent third parties and models developed in-house, calibrated where possible against observable market input. Although such measurements can be sensitive to estimates, it is presumed that changing one or more assumptions to another reasonable alternative assumption will not significantly change the fair value.

Sensitivity analysis level 3

In millions of euros	Significant non-observable assumptions	Impact on result 2016	Impact on equity 2016	Impact on result 31 December 2015	Impact on equity 31 December 2015
Investment property	Property value + 10%	8.2	8.2	7.3	7.3
Investment property	Property value - 10%	-8.2	-8.2	-7.3	-7.3
Equity securities	Market spread + 10%	5.7	24.0	4.0	33.1
Equity securities	Market spread - 10%	-5.7	-24.0	-4.0	-33.1
Debt securities	Liquidity premium + 0.5%	0.3	0.4	0.3	0.3
Debt securities	Liquidity premium - 0.5%	-0.3	-0.4	-0.3	-0.3
Derivatives	Mortality +5%	-4.7	-4.7	-21.4	-21.4
Derivatives	Mortality -5%	5.8	5.8	19.4	19.4

Delta Lloyd adjusted the assumption pertaining to investment property values up or down by 10%, which is seen as a probable market change. The value of equity securities (private equity investments and private placements) is also calculated up or down by 10% because the underlying investments are highly diversified in terms of sector, type of investment and investment strategy. There is no one significant unobservable assumption or combination of assumptions that could be identified and used to perform a reasonably possible sensitivity analysis for this portfolio.

For derivatives, the sensitivity to changes in assumptions is relatively high. The table shows the impact of a 5% change in the mortality assumption on the longevity hedge.

(38) Transferred financial assets

Securities sold under repurchase agreements are reclassified as related assets in the financial statements if the recipient is entitled by custom or contract to sell or offer the collateral as security. This obligation towards the counterparty is recognised as other liabilities to banks, bank deposits, other funds entrusted or deposits due to customers. Securities purchased under re-sale agreements (reverse repos) are recognised as loans and advances to other banks or customers. The difference between the selling price and the repurchase price is accounted for as interest using the effective interest rate method over the term of the contract. Lent securities are also recognised in the financial statements as beneficial ownership of these securities is retained.

The tables below reflect the transferred financial assets that are not derecognised in their entirety. This regards debt instruments in sale and repurchase agreements.

Delta Lloyd is not active in the securities lending market.

There are no transferred financial assets that are derecognised in their entirety with continuing involvement (2015: nil).

Transferred financial assets that are not derecognised in their entirety at year-end

In millions of euros	Mortgages at amortised cost *	Mortgages at fair value *	Total 2016
Carrying amount of assets	1,501.8	1,046.4	2,548.2
Carrying amount of associated liabilities	-2,371.0	-	-2,371.0
Total net carrying amount	**-869.2**	**1,046.4**	**177.2**
Fair value of assets	1,697.7	1,046.4	2,744.1
Fair value of associated liabilities	-2,389.6	-	-2,389.6
Total net fair value	**-691.9**	**1,046.4**	**354.5**

* The securitised mortgages at amortised cost and securitised mortgages at fair value with their associated liabilities should be analysed together.

Transferred financial assets that are not derecognised in their entirety at prior year-end

In millions of euros	Mortgages at amortised cost *	Mortgages at fair value *	Total 2015
Carrying amount of assets	1,318.5	1,508.5	2,827.0
Carrying amount of associated liabilities	-2,009.2	-568.4	-2,577.5
Total net carrying amount	**-690.7**	**940.1**	**249.5**
Fair value of assets	1,465.5	1,508.5	2,974.0
Fair value of associated liabilities	-2,024.7	-568.4	-2,593.0
Total net fair value	**-559.2**	**940.1**	**381.0**

* The securitised mortgages at amortised cost and securitised mortgages at fair value with their associated liabilities should be analysed together.

The carrying amount of the liabilities includes notes of the mortgage securitisation held as own book. The own book positions are eliminated for an amount of € 363.2 million (2015: € 354.3 million). The increase in own book positions is mainly due to the investment in the Arena 2016-I NHG € 113.4 million and the redemption of the Arena 2011-II € 99.5 million (2015: € 391.2 million).

Transferred financial assets are repurchase agreements and securitisation.

Repurchase agreements

Delta Lloyd has not entered into repurchase agreements during 2016 and 2015.

Securitisation

Delta Lloyd does not derecognise securitised mortgages; see section 'Consolidation principles'. For more information about securitised mortgages and related liabilities see section 'Borrowings'.

(39) Related party transactions

Services provided by related parties

In millions of euros	Expenses incurred in year 2016	Payable at year-end 2016	Expenses incurred in year 2015	Payable at year-end 2015
Employee pension plans	134.7	2,748.9	125.5	2,479.8
Total	**134.7**	**2,748.9**	**125.5**	**2,479.8**

All related party transactions are on terms equivalent to arm's length transactions.

Related party transactions mainly involve transactions with the pension fund. The main plan in the Netherlands is held in a separate foundation that has reinsured its pension obligations with the subsidiary Delta Lloyd Levensverzekering. In January 2013, Delta Lloyd Pensioenfonds decided to split its investment portfolio. The portfolio is still reinsured at Delta Lloyd Levensverzekering at a coverage ratio of 105%. The amount above 105% is invested for Delta Lloyd Pensioenfonds' own risk at Delta Lloyd Asset Management. The decrease in the employee pension plans is due to the transfer of the pension liabilities into the Delta Lloyd Pensioenfonds' own account as a result of the termination of the insurance agreement for its pension obligations on 1 January 2017. See section 'Pension obligations' of the consolidated financial statements for additional information on the pension obligations.

Related party payables are not secured and no guarantees have been received in respect of them. The payables will be settled on normal credit terms.

Information on remuneration, interests and transactions of the members of the Executive Board and the Supervisory Board is included in the remuneration report (see section 'Remuneration report'). At Delta Lloyd, only the Executive Board and the Supervisory Board are considered key management, as they respectively determine and monitor the company's operational and financial policies.

The amounts in the tables below are the amounts recognised as an expense during the reporting period related to key management personnel while the disclosures provided in the Remuneration report are prepared on a cash basis.

Key management personnel compensation in the financial year

In millions of euros	Active Executive Board members	Former Executive Board members	Total Executive Board members	Supervisory Board	Total 2016
Short-term employee benefits	5.0	-0.1	4.9	0.5	5.4
Post-employment benefits	0.7	-	0.7	-	0.7
Other long-term benefits	0.1	-	0.1	-	0.1
Termination benefits	0.8	-	0.8	-	0.8
Share-based payment	0.1	-0.2	-0.1	-	-0.1
Total	**6.7**	**-0.3**	**6.5**	**0.5**	**7.0**

No final agreement has been reached yet about the termination conditions of the former Chief Financial Officer (CFO).

Active Executive Board members' compensation in the financial year

In thousands of euros	Hans van der Noordaa	Ingrid de Graaf	Annemarie Mijer	Clifford Abrahams	Leon van Riet	Onno Verstegen (until 1 June 2016)	Total 2016
Short-term employee benefits	962.2	898.5	680.3	1,668.7	545.0	243.3	4,998.0
Post-employment benefits	192.6	151.1	110.8	137.4	103.8	50.4	746.1
Other long-term benefits	28.5	23.7	17.8	-	14.8	7.4	92.2
Termination benefits	-	-	-	-	-	772.5	772.5
Share-based payment	15.9	27.8	40.8	130.8	83.8	-184.8	114.4
Total	**1,199.2**	**1,101.1**	**849.7**	**1,936.9**	**747.4**	**888.8**	**6,723.2**

The short-term employee benefits for Clifford Abrahams includes the sign-on bonus of € 0.8 million which will be paid from 2017 onwards.

Former Executive Board members' compensation in the financial year

In thousands of euros	Niek Hoek	Emiel Roozen	Paul Medendorp	Total 2016
Short-term employee benefits	-36.5	-30.1	-29.4	-96.0
Post-employment benefits	-	1.5	-	1.5
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payment	-123.6	-22.2	-22.8	-168.6
Total	**-160.1**	**-50.9**	**-52.2**	**-263.1**

No final agreement has been reached yet about the termination conditions of the former chief financial officer.

Key management personnel compensation in the prior financial year

In millions of euros	Active Executive Board members	Former Executive Board members	Total Executive Board members	Supervisory Board	Total 2015
Short-term employee benefits	3.1	0.9	4.0	0.5	4.5
Post-employment benefits	0.5	0.2	0.7	-	0.7
Other long-term benefits	0.1	-	0.1	-	0.1
Termination benefits	-	1.5	1.5	-	1.5
Share-based payment	-	-0.6	-0.6	-	-0.6
Total	**3.7**	**2.0**	**5.6**	**0.5**	**6.1**

Active Executive Board members' compensation in the prior financial year

In thousands of euros	Hans van der Noordaa	Ingrid de Graaf	Annemarie Mijer	Emiel Roozen (until 3 August)	Onno Verstegen	Total 2015
Short-term employee benefits	932.1	676.1	394.4	391.4	669.4	3,063.3
Post-employment benefits	168.5	106.7	60.5	62.2	119.6	517.5
Other long-term benefits	28.5	17.8	11.1	10.4	17.8	85.6
Termination benefits	-	-	-	-	-	-
Share-based payment	129.2	5.9	59.7	-103.1	-90.3	1.4
Total	**1,258.3**	**806.5**	**525.7**	**360.9**	**716.5**	**3,667.8**

Former Executive Board members' compensation in the prior financial year

In thousands of euros	Niek Hoek	Emiel Roozen	Paul Medendorp	Total 2015
Short-term employee benefits	471.7	470.7	-7.6	934.8
Post-employment benefits	84.6	71.2	10.6	166.4
Other long-term benefits	24.0	11.8	-	35.8
Termination benefits	800.0	658.3	-	1,458.3
Share-based payment	-505.4	-34.1	-55.6	-595.1
Total	**874.9**	**1,177.9**	**-52.6**	**2,000.2**

From the post-employment benefits of key management, € 0.6 million relates to defined contribution plans (2015: € 0.5 million).

In addition to the positions presented in the tables above, Delta Lloyd has a long-term loan with Fonds NutsOHRA. Further information about this loan can be found in section 'Borrowings' in the consolidated financial statements and section 'Subordinated debt' in the separate financial statements.

(40) Subsequent events

NN Group finalised its initial offer to purchase all of Delta Lloyd's outstanding shares for a purchase price of € 5.40 cash per share at 2 February 2017. This offer does not have any impact on the 2016 financial statements of Delta Lloyd. The offer period during which shares may be tendered commenced at 3 February 2017 and will expire at 7 April 2017, unless extended by NN Group. The offer is subject to the satisfaction or waiver of the offer conditions as set out in the offer memorandum and is subject to a minimum acceptance level of 95% of the shares. The minimum acceptance level is lowered to 67% if a legal merger is approved at the EGM of 29 March 2017. At the date of this financial report NN Group holds 45,273,626 Delta Lloyd shares, representing 9.7% of the aggregated number of issued and outstanding ordinary and preference shares in Delta Lloyd.

Amstelhuys repurchased mortgages from the Arena 2012-I B.V. ("Arena 2012-I"). As a result, Amstelhuys facilitated the full redemption of € 455.851.900 Class A2 notes, € 18.200.000 Class B notes, € 16.100.000 Class C notes, € 14.000.000 Class D notes and the € 7.700.000 Class E notes on 1 February 2017.

Delta Lloyd Levensverzekering has reached an agreement with a third party on a contingent capital construction. This contingent capital construction provides Delta Lloyd Levensverzekering with additional capital in the event that Delta Lloyd Levensverzekering would incur a loss on the eligible own funds resulting in an minimum capital requirement (MCR) ratio below 100% and ensure a (partial) recovery to 100% MCR within the required time frame. This contract is one of the various recovery measures Delta Lloyd Levensverzekering has in place to overcome a severe stress event. The maximum amount Delta Lloyd Levensverzekering could receive over the 18 months duration of the contract is € 120.0 million. The total contractual risk premium is € 12.6 million.

Since 1 January 2017, Ingrid de Graaf is no longer an active member of the Executive Board and therefore does not sign the annual accounts.

Amsterdam, 21 March 2017

Executive Board

Hans van der Noordaa, Chairman
Clifford Abrahams
Annemarie Mijer
Leon van Riet

Supervisory Board

Rob Ruijter, Chairman
Eric Fischer, Vice-Chairman
André Bergen
Jan Haars
Fieke van der Lecq
John Lister
Paul Nijhof
Clara Streit

Separate financial statements

Separate statement of financial position before appropriation of result

In millions of euros		2016	2015
Goodwill	III	127.3	127.3
Total intangible assets		127.3	127.3
Participating interests in Group companies	IV	2,889.2	2,896.2
Participating interests with significant influence		0.5	77.3
Long-term loans	V	699.9	725.6
Total financial fixed assets		3,589.6	3,699.1
Total fixed assets		3,716.9	3,826.4
Debt securities		0.3	0.4
Equity securities		-	29.3
Receivables	VI	1,167.3	662.4
Cash and cash equivalents		1.4	8.1
Total current assets		1,169.0	700.1
Total assets		**4,885.9**	**4,526.6**
Share capital	VII	92.3	45.7
Share premium	VII	1,419.0	837.1
Other statutory reserves	VII	0.5	4.8
Revaluation reserve	VII	255.9	301.6
Other reserves	VII	1,183.4	1,248.4
Equity compensation plan	VII	2.4	3.2
Unallocated profit / (loss)	VII	231.2	128.1
Total shareholders' funds	VII	3,184.8	2,568.9
Provisions	VIII	5.0	14.3
Subordinated debt	IX	882.6	881.9
Long-term borrowings	X	574.4	573.7
Total long-term liabilities		1,462.0	1,469.9
Other liabilities	XI	239.1	487.8
Total liabilities		1,701.1	1,957.7
Total shareholders' funds and liabilities		**4,885.9**	**4,526.6**

Separate income statement for the year ending 31 December

In millions of euros		2016	2015
Wages and salaries		63.3	72.4
Social security contributions		9.4	8.9
Other staff expenses		56.4	53.3
Rendering of services		64.8	51.7
External staff		56.0	45.7
Other external expenses		16.7	27.3
Change in provisions		2.5	177.1
Other operating expenses		30.0	25.7
Total expenses	I	**299.1**	**462.0**
Interest and similar income		43.8	51.5
Result of equity securities and debt securities		2.4	-18.1
Release participation reserve subsidiaries		-	50.5
Income from service level agreements		171.1	172.7
Interest and similar expense		-79.1	-75.5
Total income and financing expenses	II	**138.1**	**181.0**
Result before tax		**-160.9**	**-281.0**
Tax		43.4	27.7
Result of subsidiaries		357.3	374.5
Result of associates		-8.6	6.8
Result from participating intrest after tax		**348.7**	**381.4**
Result after tax		**231.2**	**128.1**

* Comparative figures have been represented to reflect the new income statement format.

Notes to the separate financial statements

Accounting policies

The separate financial statements of Delta Lloyd NV have been prepared in accordance with the legal requirements of Part 9 of Book 2 of the Dutch Civil Code.

The option to use the same accounting policies in the separate financial statements as in the consolidated financial statements, as described in section 2:362 of the Dutch Civil Code, has been exercised. Consequently, the accounting policies in the separate financial statements are the same as those presented in the consolidated financial statements, except for the following:

Subsidiaries and associates

Subsidiaries and associates in which Delta Lloyd 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.

Financial impact of changes in accounting policies and reclassifications

The abridged company income statement pursuant to Section 2:402 of the Dutch Civil Code is no longer available for the separate financial statements: Accordingly, a full income statement has been prepared. This is only a change in presentation and has no impact on Delta Lloyd's results and shareholders' funds.

(I) Total expenses

The change in provisions decreased to € 2.5 million (2015: € 177.1 million) due to the change in onerous contracts included in 2015 relating to the sale of Delta Lloyd Bank Belgium and Delta Lloyd Germany in 2015.

(II) Total income

During 2016 no subsidiaries were sold, therefore no releases of the participation reserve is recognised. The release of the participation reserve in 2015 of € 50.5 million related to the sale of Delta Lloyd Bank Belgium and Delta Lloyd Germany.

(III) Goodwill

The carrying value on 31 December 2016 is € 127.3 million (2015: € 127.3 million).

(IV) Participating interests

Movements in participating interests and associates

In millions of euros	Participating interests in Group companies	Participating interests with significant influence	Total
At 1 January 2015	3,404.1	92.7	3,496.8
Disposals	-524.1	-19.7	-543.8
Share of result after tax	374.5	6.8	381.4
Withdrawn dividend	-155.4	-1.7	-157.2
Amount recognised directly in equity	-202.9	-0.8	-203.6
At 31 December 2015	**2,896.2**	**77.3**	**2,973.6**
At 1 January 2016	2,896.2	77.3	2,973.6
Disposals	-	-68.8	-68.8
Share of result after tax	357.3	-1.7	355.6
Withdrawn dividend	-202.2	-1.9	-204.1
New equity capital	37.5	-	37.5
Amount recognised directly in equity	-199.6	-4.3	-204.0
At 31 December 2016	**2,889.2**	**0.5**	**2,889.8**

Amount recognised directly in equity mainly relates to the actuarial gains and losses for pensions.

Restrictions on dividend distributions relate to minimum capital requirements.

List of major Group companies at year-end

The major Group companies in which Delta Lloyd NV has an interest (100% unless otherwise stated) are:

Holding
Delta Lloyd Houdstermaatschappij Verzekeringen NV (Amsterdam)
Delta Lloyd Bank NV (Amsterdam)
Delta Lloyd Houdstermaatschappij België BV (Amsterdam)
Delta Lloyd ABN AMRO Verzekeringen Holding BV (51%) (Zwolle)
Delta Lloyd Services BV (Amsterdam)
Amstelhuys NV (Amsterdam)
Delta Lloyd Asset Management Holding BV (Amsterdam)
Delta Lloyd Treasury BV (Amsterdam)
Life
Delta Lloyd Levensverzekering NV (Amsterdam)
Delta Lloyd Vastgoed Fonds NV (Amsterdam)
Delta Lloyd Life NV (Brussels, Belgium)
ABN AMRO Levensverzekering NV (51%) (Zwolle)
BeFrank NV (Amsterdam)
Investment funds
Delta Lloyd Investment Fund NV (97.7%) (Amsterdam)
Delta Lloyd Mix Fonds (99.6%) (Amsterdam)
Delta Lloyd Rente Fonds (87.2%) (Amsterdam)
Delta Lloyd Fixed Umbrella (between 59.0% and 94.8%) (Amsterdam)
Delta Lloyd Luxemburg (Sicav: between 1.68% and 93.7%) (Luxemburg, Luxemburg)
General
Delta Lloyd Schadeverzekering NV (Amsterdam)
Delta Lloyd Schadeverzekering Volmachtbedrijf BV (Amsterdam)
ABN AMRO Schadeverzekering NV (51%) (Zwolle)

The list pursuant to Sections 379 and 414 of Book 2 of the Dutch Civil Code has been filed with the Chamber of Commerce in .

(V) Investments

Statement of changes in loans		
In millions of euros	2016	2015
At 1 January	725.6	642.4
Additions	63.2	105.2
Disposals	-90.4	-15.0
Other adjustments	1.4	-7.0
At 1 December	**699.9**	**725.6**

At year-end 2016 as well as prior year-end, all loans can be classified as long-term loans.

The total carrying value of loans valuated at amortised cost is € 698.4 million, (2015: € 725.6 million), of which € 635.0 million relates to intercompany subordinated loans with Group companies (2015: € 665.0 million). The fair value of the non-intercompany loans is € 63.4 million (2015: € 60.6 million).

As in 2015, there were no arrears on interest or repayments.

Statement of changes in investments in equity securities		
In millions of euros	2016	2015
At 1 January	29.3	116.3
Disposals	-28.4	-87.8
Fair value gains and losses	-0.8	0.8
Impairment losses	-0.1	-
At 31 December	**-**	**29.3**
Cumulative impairment losses	-35.5	-35.4

The disposal of € 28.4 million mainly relates to the sale of PE Ampere in February 2016.

(VI) Receivables

Receivables at year-end		
In millions of euros	2016	2015
Receivables from Group companies	1,026.7	498.7
Receivables and other financial assets	1.3	48.4
Accrued interest and prepayments	39.7	52.2
Tax assets (see section IX 'Other liabilities')	99.5	63.1
Total	**1,167.3**	**662.4**

The decrease in receivables and other financial assets of € 47.1 million is mainly caused by the reclassification to loans and receivables for an amount of € 46.7 million.

Accrued interest and prepayments include € 22.5 million (2015: € 22.8 million) from Group companies. The increase of Receivables from Group companies relates to the increase of the intercompany position with Treasury.

All receivables are due within one year.

(VII) Equity

Statement of changes in equity

In millions of euros	2016	2015
Share capital		
At 1 January	45.7	39.9
Issues of shares	45.5	4.0
Final dividend	-	0.9
Interim dividend	1.0	0.9
At 31 December	92.3	45.7
Share premium		
At 1 January	837.0	505.9
Issues of shares	583.1	333.1
Final dividend	-	-1.0
Interim dividend	-1.0	-0.9
At 31 December	1,419.0	837.1
Other statutory reserves		
At 1 January	4.8	0.2
Result on participating interest in prior year	357.3	541.4
Transfer to other reserves	-7.3	-471.8
Other direct equity movements in participating interest	-152.2	90.5
Dividends received from participating interests	-202.2	-155.4
At 31 December	0.5	4.8
Revaluation reserves		
At 1 January	301.6	648.8
Movements in the value of investments	1.7	-0.8
Movements in the value of participating interests	-47.4	-346.5
At 31 December	255.9	301.6
Other reserves		
At 1 January	1,248.4	908.9
Transfer from other statutory reserves	7.3	471.8
Dividends received from participating interests	202.2	155.4
Prior year result of the holding company excluding result on participating interests	-229.2	-180.2
Final dividend paid	-	-62.8
Interim dividend paid	-26.7	-50.2
Change in treasury shares	-17.9	2.4
Change in conditional shares granted	-0.6	-0.1

Statement of changes in equity

In millions of euros	2016	2015
Actuarial gains and losses of subsidiaries sold transferred to retained earnings	-	-2.1
Revaluation reserve of property sold transferred to retained earnings	-	5.2
At 31 December	1,183.4	1,248.4
Equity compensation plan	2.4	3.2
Result for the year	231.2	128.1
Total shareholders' funds	**3,184.8**	**2,568.9**

Share capital

Issued shares are fully paid-up and each share gives the bearer the right to cast one vote.

Statement of changes in ordinary shares

Numbers	2016	2015
At 1 January	228,614,612	199,330,887
Issue of shares	227,567,943	19,933,087
Stock dividend	5,149,893	9,350,638
At 31 December	**461,332,448**	**228,614,612**

Delta Lloyd issued 227,567,943 new ordinary shares on 8 April 2016, priced at € 2.85 each. This resulted in an increase in equity of € 628.8 million, after deducting costs (€ 19.8 million net of tax). See section 'Share capital' in the consolidated financial statements for more details.

Convertible preference shares A

The convertible preference shares A carry a fixed dividend of 2.76%. Fonds NutsOhra holds all 10,021,495 preference shares A and is entitled to convert these cumulative preference shares A on a one-to-one basis up to 6,510,748 shares per annum. The conversion price is € 22.67 (2015: € 30.84) per ordinary share less € 0.20 (the nominal value of the convertible preference shares A).

Preference shares B

The preference shares B are protective preference shares. The preference shares B have not been issued but there is an option agreement with Stichting Continuïteit Delta Lloyd (see section 'Corporate governance'), a foundation that is legally and administratively independent of Delta Lloyd. Stichting Continuïteit Delta Lloyd has a call option to acquire protective preference shares B in Delta Lloyd NV for an indefinite period. The maximum to be acquired equals 100% of the share capital in issue in the form of ordinary shares and preference shares A immediately prior to the exercise of the call option, minus one share. This will entitle it to 49.9% of the voting rights after the issuance of such shares.

On acquisition, at least one quarter of the nominal value must be paid up on each preference share B. The call for a further payment on preference shares B shall be made pursuant to a resolution of the Executive Board of Delta Lloyd NV. Such a resolution shall be subject to the approval of the Supervisory Board. Delta Lloyd believes that the call option is not material as meant by IAS 1.31 since there is a very small probability of the call option being exercised. In the highly exceptional circumstances in which the call option would be exercised, these preference shares B would, in all probability, be cancelled within a very short time. The option is, therefore, not recognised in the financial statements nor is any additional information presented to pursuant IAS 32 and IAS 39.

Share premium

This reserve includes amounts received from the issuance of shares in excess of their nominal value. The movement in 2016 is attributable to the issue of new shares in March 2016 and a stock dividend charge. The share premium is freely distributable to the relevant class of shareholders (holders of preference shares A and ordinary shareholders) to the amount they have paid in.

Revaluation reserve

The revaluation reserve recognises unrealised value changes in investments available for sale, less the related deferred tax liability. It includes direct movements in the equity of associates that also cannot be distributed without restrictions.

Other statutory reserves

This reserve includes the associates' reserve, which is the profit from subsidiaries and associates. It is not freely distributable, partly because of solvency requirements imposed on subsidiaries and associates. The result of the subsidiary is transferred to the other reserves if the subsidiary has a negative equity.

Other reserves

The category 'Other reserves' includes the result of the company, treasury shares held directly and indirectly and transfers out of the associates reserve due to the dividends received from subsidiaries and associates. These reserves are freely distributable.

Proposed dividend

No final dividend payment will be declared over 2016, however an interim dividend was paid of € 0.10 per ordinary share.

Appropriation of result

Once the proposed dividend is approved by the General Meeting of Shareholders, the appropriation of result shall be:

Appropriation of result

In millions of euros	2016	2015
Addition to/withdrawal from (-) other reserves	185.6	34.1
Dividend on ordinary shares	45.6	94.0
Total	**231.2**	**128.1**

(VIII) Provisions

Statement of changes in provisions

In millions of euros	Restructuring provisions	Employee share option plan	Other provisions	Total
At 1 January 2015	6.8	3.5	134.0	144.3
Additional provision made in the year	11.3	-	165.8	177.1
Withdrawal provision during the year	-8.3	-2.6	-296.1	-307.0
Movement in provisions	3.0	-2.6	-130.3	-129.9
At 31 December 2015	**9.8**	**0.8**	**3.7**	**14.3**
At 1 January 2015	9.8	0.8	3.7	14.3
Additional provision made in the year	2.4	0.6	-	3.0
Unused amounts released	-0.5	-	-	-0.5
Withdrawal during the year	-10.5	-0.5	-0.8	-11.8
Movement in provisions	-8.6	0.1	-0.8	-9.3
At 31 December 2016	**1.3**	**0.9**	**2.9**	**5.0**

During 2016, of the total withdrawal of restructuring provisions, € 10.3 million was utilised for the restructuring of the commercial and IT activities following the goals set in the 'Closer to the customer' strategy that started in 2015. (See section 'Provisions for other liabilities')

(IX) Subordinated debt

The following table provides information on the composition of the company's subordinated debt and preference shares. Both loans have terms of more than five years.

Subordinated debt at year-end

In millions of euros	2016	2015
Subordinated debt	880.6	879.9
Preference shares	2.0	2.0
Total subordinated debt	**882.6**	**881.9**

In 2014, Delta Lloyd placed a € 750.0 million fixed-to-floating-rate subordinated note transaction. The fair value of the subordinated perpetual loan at year-end 2016 was € 726.6 million (2015: € 634.5 million). The notes were issued under the existing Delta Lloyd EMTN programme. The notes qualify as Tier 1 restricted capital for Delta Lloyd under SII. The value of the notes under SII is determined based on the own credit standing at initial recognition, which results in a difference of valuation of the notes under SII and IFRS as presented in here. Standard & Poor's Ratings Services has assigned a BB-rating to the notes.

Perpetual subordinated loan notes with an initial interest rate of 2.5% were issued to finance the acquisition of Nuts OHRA Beheer BV in 1999. The notional amount at year-end 2016 was € 404.7 million (2015: € 404.7 million) and the carrying amount was € 136.0 million (2015: € 136.0 million). The interest rate on the notes was 2.76% at year-end 2016 (2015: 2.76%) and the fair value of the subordinated loan was € 292.3 million (2015: € 209.2 million). On 6 November 2015, Delta Lloyd and Stichting Fonds NutsOhra came to an amendment agreement regarding the convertible subordinated loan. The changes consider primarily the interest payments (deferral thereof) and redemption restrictions for a maximum of three years. The amendment is at the request of Delta Lloyd so the loan can be accounted for as additional capital under Solvency II rules. As compensation for the amendment of the terms Stichting Fonds NutsOhra is entitled to a maximum of € 22.5 million if the maximum three-year restriction term is used. This compensation will be amortised to the income statement over the restriction term.

In the event of bankruptcy, subordinated loans rank lower than other liabilities but higher than preference and other shareholders. The perpetual subordinated loan extended to Stichting Fonds NutsOHRA ranks below other subordinated loans.

(X) Long-term borrowings

The long-term borrowings relate to the EMTN programme that was issued in 2010.

Statement of changes in borrowings

In millions of euros	2016	2015
At 1 January	573.7	573.0
New borrowings drawn down, net of expenses	0.7	0.7
At 31 December	**574.4**	**573.7**

The long-term borrowings € 574.4 million is due within one year (2015: € 573.7 million falls due within five years). The average interest rate on this loan is 4.25% (2015: 4.25%).

(XI) Other liabilities

Other liabilities at year-end

In millions of euros	2016	2015
Tax liabilities	18.3	25.4
Accrued interest	33.7	33.7
Amount owed to Group companies	135.1	105.3
Credit on demand	40.0	320.6
Other	12.0	2.8
Total	**239.1**	**487.8**

As in 2015, all other liabilities are payable within one year.

Tax assets and liabilities at year-end

In millions of euros	2016	2015
Current tax assets	26.9	27.3
Deferred tax assets	72.6	35.8
Total tax assets	99.5	63.1
Current tax liabilities	18.3	25.4
Deferred tax liabilities	-	-
Total tax liabilities	18.3	25.4
Net tax asset	**81.2**	**37.7**

Delta Lloyd NV is the parent company of the Delta Lloyd tax entity. In 2016, € 48.6 million of the deferred tax relates to unused tax losses (2015: € 11.8 million).

Deferred tax assets and liabilities at year-end

In millions of euros	2016	2015
Unrealised gains and losses on investments	-	0.2
Unused tax losses	48.6	11.8
Other temporary differences	24.1	23.9
Net deferred tax asset	**72.6**	**35.8**

Statement of changes in deferred tax assets / liabilities

In millions of euros	2016	2015
At 1 January	35.8	43.9
Amounts charged/credited to result	160.0	-137.1
Transfer tax assets within tax entity	-123.2	129.0
At 31 December	**72.6**	**35.8**

The company does not have unrecognised tax losses.

(XII) Related party transactions

Services provided to related parties

In millions of euros	Income earned in year 2016	Receivable at year-end 2016	Income earned in year 2015	Receivable at year-end 2015
Subsidiaries	244.8	1,684.3	251.8	1,186.5
Total	**244.8**	**1,684.3**	**251.8**	**1,186.5**

Services provided by related parties

In millions of euros	Expenses incurred in year 2016	Payable at year-end 2016	Expenses incurred 2015	Payable at year-end 2015
Subsidiaries	35.9	175.1	37.4	557.5
Total	**35.9**	**175.1**	**37.4**	**557.5**

The related party transactions concern intercompany loans between the holding and Group companies, and the related interest. All related party transactions are at arm's length.

Information on directors' remuneration is included in the remuneration report (see section 'Remuneration report') and section 'Related party transactions'. Within Delta Lloyd, only the Executive Board and the Supervisory Board are considered to be key management, as they are respectively responsible for determining and monitoring the operational and financial policies.

Related party payables are not secured and no guarantees have been received in respect of them. The payables will be settled on normal credit terms. There are no arrears of interest or repayments.

(XIII) Off-balance sheet commitments

Off-balance sheet commitments at year-end

In millions of euros	2016	2015
Contingent liabilities	-	4.8
Total	**-**	**4.8**

Due to the sale of property it was no longer needed to keep the contingent liabilities related to this property.

(XIV) Employee information

Average number of employees (FTE) during the year

Number in FTE	2016	2015
Permanent staff	1,044	1,052
Temporary staff	215	238
Total	**1,259**	**1,290**

Staff costs for the financial year

In millions of euros	2016	2015
Salaries	63.3	72.4
External staff	56.0	45.7
Social security contributions	9.4	8.9
Pension and post-retirement expenses	16.6	33.0
Profit sharing and incentive plans	2.6	1.3
Termination benefits	21.3	4.0
Care	1.3	1.0
Other staff costs	15.2	13.9
Total	**185.7**	**180.3**

Details of the remuneration of directors and the Supervisory Board members are given in section 'Remuneration report 2016' and section 'Related party transactions' of the consolidated financial statements.

All staff members are employed by Delta Lloyd Services BV. The costs included in the table above represent recharges to the company from Delta Lloyd Services BV. The recharges are based on allocated staff numbers relating to the Executive Board, corporate staff departments and include all related expenditures.

(XV) Audit fees

Audit fees in the financial year

In millions of euros	2016	2015
Audit of the financial statements and regulatory reporting	5.1	3.6
Other audit services	0.9	0.9
Total	**5.9**	**4.6**

(XVI) Subsequent events

NN Group finalised its initial offer for all of Delta Lloyd's outstanding shares for a purchase price of € 5.40 cash per share at 2 February 2017. This offer does not have any impact on the 2016 financial statements of Delta Lloyd. The offer period during which shares may be tendered commenced at 3 February 2017 and will expire at 7 April 2017, unless extended by NN Group. The offer is subject to the satisfaction or waiver of the offer conditions as set out in the offer memorandum and is subject to a minimum acceptance level of 95% of the shares. The minimum acceptance level is lowered to 67% if a legal merger is approved at the EGM of 29 March 2017. At the date of this financial report NN Group holds 45,273,626 Delta Lloyd shares, representing 9.7% of the aggregated number of issued and outstanding ordinary and preference shares in Delta Lloyd.

Since 1 January 2017, Ingrid de Graaf is no longer an active member of the Executive Board and therefore does not sign the annual accounts.

Amsterdam, 21 March 2017

Executive Board

Hans van der Noordaa, Chairman
Clifford Abrahams
Annemarie Mijer
Leon van Riet

Supervisory Board

Rob Ruijter, Chairman
Eric Fischer, Vice-Chairman
André Bergen
Jan Haars
Fieke van der Lecq
John Lister
Paul Nijhof
Clara Streit

Other information

Profit appropriation

Profit appropriation provisions in the articles of association

Article 44, relating to the appropriation of result, if appropriate here, specifies that, first of all, a percentage dividend shall be paid on the preference shares B equal to the average 1-month Euribor plus a premium set by the Executive Board and approved by the Supervisory Board of at least one percentage point but no more than four percentage points, depending on market conditions. The dividend shall be computed on the paid-up part of the nominal amount. If the profit is insufficient to pay this dividend in full, the shortfall shall be distributed from the reserves, except the dividend reserve A and the share premium A (article 44.1).

From the profit remaining after the dividend paid on the preference B shares, a dividend of 2.76% on the paid-up amount of the issued preference shares A shall be added to the dividend reserve A (and if applicable, on the dividend reserve A and the share premium A). If the profit in the year under review is insufficient to make the addition to the dividend reserve A, the provisions below shall not be implemented until the shortfall is extinguished (article 44.2).

From the profit not distributed and added to the dividend reserve A pursuant to articles 44.1 and 44.2, such additions shall be made to reserves as determined by the Executive Board, subject to the approval of the Supervisory Board (article 44.3).

The profit remaining after the above (articles 44.1, 44.2 and 44.3) shall be at the disposal of the General Meeting of Shareholders.

The General Meeting of Shareholders may, on a proposal of the Executive Board approved by the Supervisory Board, resolve that a dividend be paid in full or in part in ordinary shares of the company and not in cash (article 44.9).

See section 'Share capital' for the appropriation of result of 2016.

Combined independent auditor's report

To the Shareholders and members of the Supervisory Board of Delta Lloyd NV (Delta Lloyd, the Company or the Group)

Please find below the main conclusions and main features of our audit and review. For the full text of the independent auditor's report, which includes the assurance report on non-financial information, please refer to the next pages.

Summary

Conclusions

Object of audit or review	*Outcome of our work performed*
Financial statements 2016 (consolidated and separate)	True and fair view
Non-financial information 2016 in selected chapters and appendices	Reliable and adequate view
	(limited assurance)
Other information, including the Reports by the Executive Board and the Supervisory Board	No material misstatements to report

Main features of our audit & review

What we have done	*Scope of our work*	*Materiality*	*Key audit & review matters*
Audit of financial statements 2016 (consolidated and separate)	Sections 'Consolidated financial statements' and 'Separate financial statements'	EUR 50 million, which represents 1.5% of Delta Lloyd NV's Shareholders' funds	Fair value measurement of investments and related disclosures Estimates used in calculation of insurance liabilities, DAC and Liability Adequacy Test (LAT) Solvency Unit-linked exposure NN Group offer Reliability and continuity of electronic data processing
Review of non-financial information for 2016 in selected chapters and appendix	Sections 'Overview', 'How we create value', 'Delta Lloyd in 2016', 'Human Capital', 'About this report' and 'Non-financial appendix'	Specific materiality levels for each element of the non-financial information in scope	Net Promoter Score (NPS)
Procedures for Other information 2016	Report of the Executive Board which consists of the sections as set out in the section 'Glossary' of the Annual Report, 'Report of the Supervisory Board'	Similar materiality as our audit or review scope procedures.	No areas of specific focus

Combined independent auditor's report on the 2016 financial statements and non-financial information in Delta Lloyd's 2016 Annual Report

Our conclusions

We have audited the financial statements 2016 of Delta Lloyd NV (Delta Lloyd, the Company or the Group) based in Amsterdam as set out in section 'Consolidated financial statements' and 'Separate financial statements'. The financial statements include the consolidated financial statements and the separate financial statements.

In our opinion:

- the consolidated financial statements give a true and fair view of the financial position of Delta Lloyd as at 31 December 2016 and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the separate financial statements give a true and fair view of the financial position of Delta Lloyd as at 31 December 2016 and of its result for 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

We have reviewed the non-financial information 2016 (the scope is described in section 'Our Scope') of Delta Lloyd NV based in Amsterdam. A review engagement is aimed at obtaining limited assurance.

Based on our review procedures performed nothing has come to our attention that causes us to believe that the non-financial information in scope, in all material respects, does not provide a reliable and adequate view of Delta Lloyd's policy and business operations with regard to sustainability and the thereto related events and achievements for the year ended 31 December 2016 in accordance with the Sustainability Reporting Guidelines version G4 of the Global Reporting Initiative (GRI) (option Core) and the supplemental internally applied reporting criteria as disclosed in the section 'Reporting principles – About this report' of the Annual Report.

Basis for our conclusions

We conducted our assurance engagements in accordance with Dutch law, including the Dutch Standards on Auditing and the Dutch Standard 3810N 'Assurance engagements relating to sustainability reports'. Dutch Standard 3810N is a subject specific standard under the International Standard on Assurance Engagements (ISAE) 3000 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information'. Our responsibilities under those standards are further described in the section 'Our responsibilities' in this report.

We believe the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Our Independence

We are independent of Delta Lloyd in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence)" and other relevant independence regulations in the Netherlands. This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagement. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics)".

Our scope

Our engagements scope

The Annual Report 2016 (hereafter: the Report) of Delta Lloyd consists of the financial statements and other information that provides altogether an overview of the policy, activities, events and performances related to both the financial position and the sustainable development of Delta Lloyd during reporting year 2016. The following information in the Report has been in scope of our assurance engagements:

The consolidated financial statements, comprising:

- The consolidated statement of financial position as at 31 December 2016;
- The following statements for 2016: consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' funds and consolidated cash flow statement;
- The notes comprising a summary of the significant accounting policies and other explanatory information.

The separate financial statements, comprising:

- The separate statement of financial position as at 31 December 2016;
- The separate income statement for 2016;
- The notes comprising a summary of the accounting policies and other explanatory information.

The non-financial information comprises the chapters 'Overview', 'How we create value', 'Delta Lloyd in 2016', 'Human Capital', 'About this report' and 'Non-financial appendix' in the Annual Report 2016 of Delta Lloyd NV.

Limitations in our engagements scope

The non-financial information in the Report contains prospective information, such as ambitions, strategy, targets, expectations and projections. Inherent to this information is that actual results may differ in the future and are therefore uncertain. We do not provide any assurance on the achievability and feasibility of prospective information.

Further, the references in the non-financial information in the Report (www.deltalloyd.com, external websites, interviews and movies on Delta Lloyd's website and other documents) are outside the scope of our assurance engagements.

Our scope for the group audit of the financial statements

Delta Lloyd NV is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Delta Lloyd NV.

Our group audit mainly focused on significant group entities which represent the principal business units within the Group's reportable segments and account for approximately 100% of the Group's total assets, 97% of the Group's total shareholders' funds and approximately 96% of the Group's profit before tax.

We have:

- Performed audit procedures at group entities Delta Lloyd Levensverzekering, Delta Lloyd Schadeverzekering, Delta Lloyd Asset Management Holding, Delta Lloyd Bank, Amstelhuys,
- Delta Lloyd ABN AMRO Verzekeringen Holding, Delta Lloyd Life Belgium;
- Performed review procedures or specific audit procedures at the other group entities.

The Delta Lloyd group audit team provided detailed instructions to EY component teams including areas of audit emphasis. We also executed oversight visits to select component teams and engaged in regular communication to confirm that the audit progress and findings for each of the in-scope locations were discussed between the group audit team and the component team. By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Reporting criteria

The information in the scope of our engagements needs to be read and understood together with the reporting criteria, for which Delta Lloyd is solely responsible for selecting and applying taking into account applicable law and regulations related to reporting. The criteria used for the preparation of the Annual Report and thus relevant for our examination are described below. We consider the reporting criteria used relevant and suitable for our assurance engagements.

Consolidated financial statements:	International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code.
Separate financial statements, Report by the Executive Board:	Part 9 of Book 2 of the Dutch Civil Code.
Non-financial information:	Sustainability Reporting Guidelines version G4 (option 'Core') of the GRI and the supplemental reporting criteria developed by Delta Lloyd as disclosed in the section 'Reporting principles – About this report' of the Annual Report.

Materiality

General

The scope of our assurance procedures is influenced by the application of materiality. Our assurance engagements aim to provide assurance about whether the financial statements and the non-financial information in scope are free from material misstatement. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the (economic) decisions of users taken on the basis of the financial statements and the non-financial information. The materiality affects the nature, timing and extent of our assurance procedures and the evaluation of the effect of identified misstatements on our conclusions.

Financial statements

Materiality	EUR 50 million
Benchmark used	Approximately 1.5% of Delta Lloyd NV's Shareholders' funds
Additional explanation	Delta Lloyd NV's equity and solvency, and the ability to pay dividends and meet policyholder liabilities, are key indicators for the users of its financial statements. As such, we have based materiality on the Delta Lloyd NV's Shareholders' funds

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Audit Committee of the Supervisory Board that misstatements in excess of EUR 2.5 million, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Non-financial information

Based on our professional judgment we determined specific materiality levels for the non-financial information as a whole and for each part of the non-financial information. When evaluating our materiality levels, we have considered the relevance of information for the intended users of the non-financial information, based on the materiality analysis performed by Delta Lloyd.

Key audit & review matters

Key audit and review matters are those matters that, in our professional judgment, were of most significance in our assurance procedures for the financial statements and the non-financial information in scope. We have communicated the key audit and review matters to the Audit Committee of the Supervisory Board. The key audit and review matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our assurance procedures for the financial statements and the non-financial information in scope as a whole and to conclude thereon, and we do not provide a separate conclusion on these matters.

For the audit of the financial statements we identified the following key audit matters:

Key audit matter	How our audit addressed the matter
Fair value measurement of investments and related disclosures	
The Group invests in various asset classes, of which 79% is carried at fair value in the balance sheet. Of these assets, 18% is related to investments for which no published prices in active markets is available (e.g. for mortgages, real estate, private equity investments, derivatives and for non-listed bonds or equities). Valuation techniques for these investments can be subjective in nature and involve various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value. Associated risk management disclosure is complex and dependent on high quality data. Specific area of audit focus is the valuation of fair value assets where valuation techniques are applied in which unobservable inputs are used.	We assessed and tested the design and operating effectiveness of the controls over valuation, independent price verification and model validation and approval. We performed additional procedures for areas of higher risk and estimation such as mortgages, real estate, private equity investments, derivatives and for non-listed bonds or equities with the assistance of our valuation specialists. This included, where relevant, comparison of judgments made to current and emerging market practice and re-performance of valuations on a sample basis. We also assessed the impact of other sources of fair value information including gains or losses on disposal and fair value information from acquisition transactions. We assessed and tested the design and operating effectiveness of the controls over the valuation and related disclosures. Finally, we considered whether the Group's disclosures in note 37 'Fair value of assets and liabilities' of the financial statements in relation to valuation sensitivity and fair value hierarchy are compliant with the relevant accounting requirements.
Key audit matter	**How our audit addressed the matter**
Estimates used in calculation of insurance liabilities, DAC and Liability Adequacy Test (LAT)	

Key audit matter	How our audit addressed the matter
The Group has significant insurance liabilities of € 48 billion representing 66% of the Group's total liabilities. The measurement of insurance liabilities involves significant judgment over uncertain future outcomes, mainly the ultimate total settlement value of the insurance liabilities, including any guarantees provided to policyholders. Various economic and non-economic assumptions are being used to estimate these long-term liabilities. Specifically, the Group uses current market interest rates to measure the insurance liabilities for most of its products (life and long tail non-life). Since June 2016, the Group uses the Solvency II curve including a volatility adjustment (VA), Credit Risk Adjustment (CRA) and extrapolation to an Ultimate Forward Rate (UFR) as the estimate for current market interest rates under IFRS. The Solvency II curve replaced previously used Collateralised AAA curve, which also included extrapolation to an UFR. Delta Lloyd disclosed the impact of this change in estimate in the financial statements. The valuation of the insurance liabilities in relation to the life business requires application of significant judgment in setting of mortality, longevity, expense and lapse assumptions. For Delta Lloyd Life Belgium, the liability adequacy test (LAT) shows deficit and, consequently, the insurance liabilities are increased to the level of LAT. Therefore the changes in estimates and assumptions used in the LAT of Delta Lloyd Life Belgium have direct impact on Delta Lloyd's result.	We involved our own actuarial specialists to assist us in performing our audit procedures in this area, which included among others: • Consideration of the representativeness of the estimate based on the Solvency II curve as a better representation of current market interest rates than the previously used Collateralised AAA curve by reference to market data and developments in the public domain. This included the consideration of interpolation and extrapolation parameters and techniques as well as the explicit inclusion of liquidity spread and exclusion of remaining credit risk. • Consideration of the appropriateness of the mortality, longevity, expense and lapse assumptions used in the valuation of the individual life and pension liabilities by reference to Company and industry data and expectations of future mortality, longevity, expense and lapse developments. Further, we considered the validity of the Group's IFRS LAT results which is a key test performed in order to ensure that insurance liabilities, net of deferred acquisition cost, are adequate in the context of expected future cash flows based on best estimate assumptions plus a risk margin. Our work on the IFRS LAT includes assessing the reasonableness of the projected cash flows and challenging the assumptions adopted, including mortality, longevity, expenses and lapses, based on Company's and industry experience data, expected market developments and trends. Other key audit procedures included assessing the Group's methodology for calculating the insurance liabilities and an assessment of internal controls in this respect, including the analysis of the movements in insurance liabilities during the year. We assessed whether the movements are in line with the changes in assumptions adopted by the Group, our understanding of developments in the business and our expectations derived from market experience. We considered whether the Group's disclosures in notes 25 'Insurance liabilities' and 28 'Effect of changes in assumptions and estimates on provisions for insurance and investment contracts' of the financial statements in relation to insurance contract liabilities are compliant with the relevant accounting requirements.

Key audit matter	How our audit addressed the matter
Key audit matter	**How our audit addressed the matter**
Solvency	
In the capital management section (note 2 'Capital management') of the financial statements, Delta Lloyd discloses the Group's capital position of its insurance activities as at year-end 2016 in accordance with Solvency II regulations which became effective on 1 January 2016. These disclosures provide information on the capital position of Delta Lloyd on a regulatory basis (Solvency II) of accounting rather than on an IFRS basis. The determination of Solvency II ratio involves judgment in respect of use of methodologies and setting best estimate assumptions. Specifically judgment is involved in: • determining the best estimate insurance liabilities, particularly the assumptions setting for mortality, longevity, expense and lapse assumptions; • treatment of non-modelled business for the best estimate insurance liabilities; • estimation of the amount or the probability of pay out of contingent liabilities and determining the methodology; • assumptions for loss absorbing capacity of deferred taxes in the calculation of the Solvency Capital Requirement.	We involved our actuarial specialists to assist us in performing our audit procedures with regard to the Solvency II calculations, which included among others: • Consideration of the appropriateness of the mortality, longevity, expense and lapse assumptions used in the valuation of the best estimate insurance liabilities by reference to Company and industry data and expectations of future mortality and expense developments. • Consideration of the appropriateness of methodology of estimation of non-modelled business by reference to Company and industry data and recognised actuarial practice. • Consideration of the management's assessment of the outcome of contingent liabilities by reference to Company and third party data on the developments in the claims filed or proceedings initiated against Delta Lloyd and the developments in the public domain. • Consideration of the methodology and assumptions for loss absorbing capacity of deferred taxes in the calculation of the Solvency Capital Requirement by reference to the Company and industry data and results of internal and external reviews of the methodologies and assumptions performed during the year. We assessed the design and operating effectiveness of the internal controls over the Solvency II calculations. This included, where relevant, interpretation of guidelines, comparison of judgments made to current and emerging market practice and re-performance of calculations on a sample basis. We considered whether the Group's disclosures in note 2 'Capital management' of the financial statements in relation to capital management are compliant with the relevant accounting requirements.
Key audit matter	**How our audit addressed the matter**
Unit-linked exposure	

Key audit matter	How our audit addressed the matter
Following the public debate that began in 2006 around the lack of transparency concerning unit-linked insurance contracts sold in the Netherlands where the customer bears all or part of the investment risk and the level of costs associated with these products, Delta Lloyd Group entered into agreements in 2008 and 2010 with consumer and investor interest groups. The agreements include the implementation of standardized charges for individual, privately-held unit-linked insurance products concluded in the past. In 2013, the "Wabeke" provision was allocated to the individual policies and included in the insurance liabilities. Management informed us that - besides a very small number of complaints filed at the Klachteninstituut Financiële Dienstverlening (Kifid) and one individual claim (for a non-material amount) filed in court - there are currently no claims filed or proceedings initiated against Delta Lloyd, individually by policyholders or by consumer-interest organizations on their behalf. However, holders of unit-linked products, or consumer protection organizations on their behalf, have filed claims or initiated proceedings against other insurers and may continue to do so. A negative outcome of such claims and proceedings in respect of unit-linked products, settlements or any other actions for the benefit of customers by other insurers and sector-wide measures could have a significant impact for the Group relating to compensation. It is inherently difficult to predict the outcome of these developments and the impact on the insurance sector as a whole, including Delta Lloyd.	We performed audit procedures in this area, which included: • An assessment of the Group's governance, processes and internal controls with respect to unit-linked customer complaints within its operating companies, in particular for Delta Lloyd Levensverzekering in the Netherlands. • A review of and discussion on the documentation of the unit-linked exposures with management. • Consideration of the recognition and measurement requirements for establishing provisions under the Group's accounting framework. We also considered whether the Group's disclosures in respect of this legal exposure is compliant with the relevant accounting requirements. We focused on the adequacy of disclosure of the related risks and assumptions in note 35 'Contingent assets and liabilities' to the financial statements.

Key audit matter	How our audit addressed the matter
NN Group offer	

Key audit matter	How our audit addressed the matter
On 23 December 2016, Delta Lloyd and NN Group announced that a conditional agreement had been reached on a recommended public offer to be made by NN Group for the entire issued and outstanding ordinary share capital of Delta Lloyd. On 2 February, the Offer Memorandum was published which stipulates the offer period during which shares may be tendered pursuant to the Offer from 3 February to 7 April 2017. Delta Lloyd will hold an extraordinary general meeting of shareholders on 29 March 2017, during which, amongst other matters, the offer will be discussed. Immediately following the meeting, Delta Lloyd will hold a second extraordinary general meeting of shareholders to resolve upon the legal merger.	We considered the impact of this event on the audit of the 2016 financial statements, which included among others: • Consideration of the management's assessment of the impact of the event on the financial statements by reference to the applicable reporting framework requirements. • Consideration of management's assessment of impact of the event on the going concern assessment by reference to Company and industry data and corroboration of the assumptions used in the analysis with other observable evidence. We considered whether the Group's disclosures in note 40 'Subsequent events' of the financial statements in relation to subsequent events are compliant with the relevant accounting requirements.
Key audit matter	**How our audit addressed the matter**
Reliability and continuity of electronic data processing	
Delta Lloyd is strongly dependent on its IT-infrastructure for the continuity of the business processes. In the last few years, Delta Lloyd invested in the improvement of IT-hardware, systems and processes, and the security, reliability and continuity of electronic data processing including its defense against cyber-attacks.	We assessed the reliability and continuity of electronic data processing only to the extent necessary within the scope of the audit of the financial statements. Our work consisted of assessing the developments in the IT infrastructure and applications and testing of internal controls related to IT infrastructure, applications and IT management processes relevant for financial reporting.

For the assurance procedures concerning the non-financial information in scope, we identified the following key review matters:

Key review matter	How our assurance procedures addressed the matter
Net Promoter Score (NPS)	
Net Promoter Score (NPS) is identified by Delta Lloyd as part of their representation of key achievements. The indicator is measured by third parties. The outcome is influenced by the methodology used by the third party.	Our review procedures focused on reviewing whether the methodology used by the third party is suitable and assessing whether the transparency on the methodology in Delta Lloyds' Annual Report is sufficient for a proper understanding by the reader.

Other information included in Delta Lloyd's 2016 Annual Report

In addition to the financial statements and our auditor's report thereon, the Annual Report contains other information that consists of:

- Report of the Executive Board which consists of the sections as set out in the section 'Glossary' of the Annual Report

- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code
- Report of the Supervisory Board
- Reporting principles – About this report
- Non-financial appendix.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements or in our review of the non-financial information.

Management is responsible for the preparation of the other information, including the Report of the Executive Board in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the Audit Committee of the Supervisory Board as auditor of Delta Lloyd NV on 14 May 2008 and have operated as statutory auditor ever since that date.

Responsibilities

Responsibilities of the Executive Board and the Supervisory Board

The Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code.

The Executive Board is also responsible for the preparation of the non-financial information in accordance with the Sustainability Reporting Guidelines version G4 (option 'Core') of the Global Reporting Initiative and the supplemental internally applied reporting criteria, including the identification of stakeholders and the determination of material topics. The choices made by the Executive Board in respect of the scope of the Report and the reporting criteria are set out in the section 'Reporting principles – About this report' of the Annual Report.

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

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Executive Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's (financial) reporting process.

Our responsibilities

Our objective is to plan and perform the assurance assignments in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusions.

Our audit of the financial statements has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Our review of the non-financial information is aimed at obtaining limited assurance. The procedures performed in obtaining limited assurance are focused on the plausibility of information which does not require exhaustive gathering of evidence as in engagements focused on reasonable assurance. The procedures performed consisted primarily of making inquiries of management and others within the entity, as appropriate, applying analytical procedures and evaluating the evidence obtained. The level of assurance obtained in review engagements is therefore substantially less than the assurance obtained in an audit engagement.

Amsterdam, 21 March 2017
Ernst & Young Accountants LLP
Signed by J. Niewold

ANNEX to the combined independent auditor's report

Work performed

We have exercised professional judgment and have maintained professional skepticism throughout the assurance engagement, in accordance with Dutch Standards on Auditing and the Dutch Standard 3810N for assurance on sustainability information, ethical requirements and independence requirements.

Our audit to obtain reasonable assurance about the financial statements (consolidated and separate) included the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Executive Board.
- Concluding on the appropriateness of Executive Board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Our review to obtain limited assurance about the non-financial information included the following:

- Performing an external environment analysis and obtaining an understanding of the sector, relevant social themes and issues and the characteristics of the organization.
- Evaluating the appropriateness of the reporting policy and its consistent application, including the evaluation of the results of the stakeholders' dialogue and the reasonableness of management's estimates.
- Evaluating the design and implementation of the systems and processes for data gathering and processing of non-financial information as presented in the Report.
- Interviews with management and relevant staff at corporate and local levels responsible for the sustainability strategy, policies and performance.
- Interviews with relevant staff responsible for providing the non-financial information in the Report, carrying out internal control procedures on the data and the consolidation of the data in the Report.
- Evaluating internal and external documentation, in addition to interviews, to determine whether the non-financial information in the Report is adequately substantiated.
- Performing analytical review of the data and trend explanations submitted for consolidation at group level.
- Assessing the consistency between the non-financial information and the information in the Report not in scope for our assurance engagements.
- Assessing whether the non-financial information has been prepared 'in accordance' with the Sustainability Reporting Guidelines version G4 of GRI (option 'Core').

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Audit Committee of the Supervisory Board regarding, among other matters, the planned scope and timing of the assurance procedures and significant findings, including any significant findings in internal control that we identify during our assurance procedures.

We provide the Audit Committee of the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee of the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements and the review of the non-financial information in scope are therefore the key review matters. We describe these matters in our combined auditor's report and assurance report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Non-financial appendix

In 2016, we introduced a non-financial dashboard to give our stakeholders insight into our main non-financial KPIs. This dashboard summarises the range of non-financial indicators we use as management information to report on the progress we're making with our objectives.

This appendix provides a more detailed overview of these non-financial indicators and includes information on such things as the net promoter scores (NPS) per label and product, as well as information on the various elements of our total carbon footprint.

Our non-financial dashboard also allows us to be transparent about our taxation policy and the role we play in society, as illustrated by our sponsorship activities and the Delta Lloyd Foundation.

Net promoter scores

Customer satisfaction is one of the key material topics for Delta Lloyd. We put our customers first and engage them to make sure our services meet their expectations. Our ambition is to become the most customer-oriented insurer in the Netherlands by 2020. In 2016, Delta Lloyd was ranked as the top pension insurer by independent financial advisors for the fifth consecutive year. Our customer satisfaction survey for clients is conducted by GFK, while our customer satisfaction survey for independent financial advisors is done by IG&H. For more background information on the surveys, please see section About this report.

Independent financial advisors[1]	**Performance survey**	
Scale of 1 to 10	2016	2015
Life		
Delta Lloyd (Life)	3	3
Delta Lloyd (Pension)	1	1
General Insurance		
Delta Lloyd (Income employers)	2	5
Delta Lloyd (Income individual)	4	5
Delta Lloyd (GI (Individual))	3	3
Delta Lloyd (GI (Commercial))	3	3
Delta Lloyd (Underwriters)	2	1
Bank		
Delta Lloyd (Bank savings)	3	4
Delta Lloyd (Mortgages)	4	7

1 IG&H January 2016, based on average performormance customer satisfaction. Relative position compared to competitors

In order to become the most customer-oriented insurer in the Netherlands, we started a number of projects in 2015, such as taking a customer-oriented approach to redesign our customer journeys and developing customer experience models in the Customer Team as part of our 'Customer, Brand, Digital' operation. Colleagues from different business units have been trained to map these customer journeys with the Customer Team.

We continued to work on these projects in 2016. Our customer journeys don't just tell us about customer satisfaction, like our NPS results do – they also reveal what customers appreciate and don't appreciate about our service. As such, we can adjust our processes accordingly to improve customer satisfaction.

Net promoter scores

	2016	Target	2015
NPS Delta Lloyd (consumer clients)[1]	-13	18	-18
NPS OHRA (consumer clients)[1]	9	18	-1
NPS AAV (consumer clients)[1]	-6	18	-5

1 The target mentioned is a long -term target towards 2020. 2016 weighted average based on nr. of customers, OHRA 2015 weighted average based on nr. of respondents.

Our NPS results have improved for a number of products. That being said, it is still too early to tell if this is because of our improved customer journeys, which are often aimed at a specific group of customers, such as new mortgage customers or customers who recently revised their pension plan.

Delta Lloyd has always measured customer satisfaction on a 10-point scale. However, we will now measure and report customer satisfaction primarily through our NPS results. The methodology we used in 2015 and 2016 differs slightly. In 2015, we measured NPS once a year, and the weighted average for our three retail brands was based on the number of respondents in the survey. From 2016 we measured NPS monthly, and the weighted average is based on the number of retail customers by business line. For Delta Lloyd we include the retail business lines life (open book and service book), general insurance, bank (bank savings and mortgages) and health. For OHRA we include general insurance and health, for ABN AMRO we include the life and general insurance business lines.. In 2017, we will start calculating an overall weighted average for Delta Lloyd commercial business lines. There is no weighted average NPS score available for commercial customers in 2016 or before. In Belgium, we have also started measuring NPS. However, no comparative data is available. We plan to start reporting NPS for Delta Lloyd Life in Belgium in 2017.

Supply chain management

Delta Lloyd is taking more responsibility to integrate sound environmental, social and governance practices into its supply chain and wants to encourage its suppliers to do the same. That's why we continue to work with our suppliers to reduce the likelihood of them incurring ESG risks that could negatively impact Delta Lloyd. We ask our suppliers to sign a corporate social responsibility covenant – a code of conduct based on international ESG guidelines.

In 2016, 84% of the most important suppliers did so. We will continue to ask suppliers to commit to it.

In 2016, we extended an analysis of our suppliers and asked the top 200, based on spend, to voluntarily screen their ESG efforts and publish the results on the online FIRA platform. A quarter voluntarily did so. FIRA is an agency specialised in sustainable procurement.

We enter into talks with those suppliers whose ESG policies deviate from our own.

Sponsoring

As an insurance company Delta Lloyd can play a meaningful role in society. Through our activities we can positively influence people's financial well-being. We also recognise our social responsibility through charitable donations and by supporting Dutch sport and culture. Our sustainable sponsorship policy focuses on water sports and photography.

We have sponsored the World Press Photo exhibition in Amsterdam since 2011 and the Foam photography museum Amsterdam since 2008. Photography is a widely accessible art form that bridges language barriers and encourages social cohesion.

Delta Lloyd has supported Dutch water sports since 1997 and we are the main sponsor of the national sailing team. In May 2016, we extended our partnership with the Royal Netherlands Yachting Union(Watersportverbond) until the 2020 Olympic Games in Tokyo. In August 2016, the sailing team won two gold medals at the Rio Olympics.

As well as supporting professional athletes, we also support the sustainable development of water sports. For example, we sponsor the Optimist on Tour, an annual event that introduces children across the Netherlands to sailing. In 2016, this event was nominated for a 'SponsorRing' award, the Netherlands' highest sponsorship accolade. During the Olympic Games in Rio de Janeiro, we contributed to Project Grael, which aims to lift the city's youth out of poverty through sport, and sailing in particular. In addition, we participate in the 1% fair share programme, donating 1% of our annual sponsorship budget to the Disabled Sport Fund.

In Belgium, we became the leading partner in One Mile a Day. This programme targets teachers and schoolchildren (aged six to 12), to stimulate them to stay fit. The children walk one mile (1.6 kilometres) each day with their teacher in between their classroom hours. The programme aims to incorporate movement into the children's mindset and to ensure they continue to move in their adult lives. 624 primary schools - over 100,000 children - are participating.

In 2016, Delta Lloyd supported several broader social causes outside of our sponsorship policy. These included donations to a memorial forest for the Dutch victims of the 2014 Air Malyasia Flight MH17 plane crash and to the Royal Netherlands Sea Rescue Institute (KNRM) for their 'rescuers help rescuers' mission to train Greek teams rescuing refugees in the Adriatic Sea.

Tax

Delta Lloyd's tax strategy is based on the principle 'tax follows the business'. This implies that we recognise taxes in the countries where the operations take place and at the moment that the activities occur and revenues are recognised. Our tax strategy is aligned with our business principles and corporate values. These include:

- A commitment to ensure we fully comply with all statutory obligations and full disclosure to tax authorities.
- Sustaining good relations with the tax authorities and actively disclosing to them business developments and potential uncertainties.
- Considering the implications of tax planning as relevant to Delta Lloyd's corporate reputation.
- Managing our tax affairs in a proactive way that maximises stakeholder value, while operating in accordance with the law.
- Recognising taxation as a responsibility when determining the business strategy and in the execution of the operations.
- Maintaining a tax control framework that enables us to proactively manage tax risk.

Delta Lloyd does not make use of tax havens or tax-avoiding structures. Our taxation policy is based on the tax rules and regulations and we take these tax principles into account in our business operations and when choosing business partners or structuring transactions.

VBDO awarded us for our transparency on our tax reporting.

Integration in the business

Delta Lloyd's Tax department actively manages taxation within the business. The cornerstone of its involvement is the mandatory tax sign-off of every material business initiative within Delta Lloyd and of every product approval and review process. Maintaining tax awareness includes internal tax presentations to the business and participation in business meetings and projects.

Relationship with local tax authorities

Our relationship with the Dutch tax authority is built on three key values: mutual trust, understanding and transparency. Based on this existing good relationship and our tax behaviour we comply with the principle of horizontal monitoring. We share information on a continuous basis with the tax authorities about Delta Lloyd's operations, business initiatives and the tax implications As part of its tax compliance, Delta Lloyd NV files an annual Corporate Income Tax return within 10 months after the year-end closing.

Taxation policy

Managing Delta Lloyd's tax position is based on a taxation policy. This policy supports the company in managing recognised risks such as compliance risk, transaction risk, customer and product risk, external risk, financial reporting risk and tax planning risk.

Total contribution in taxation

Delta Lloyd provides an overview of its total contribution in taxation on a country by country basis. From a tax perspective, Delta Lloyd pays taxes that are charged to the profit and loss account – the taxes borne – as well as collecting large amounts of taxes on behalf of the governments in the relevant countries, the taxes collected. These taxes are related to banking- and insurance products that are sold and charged to or on behalf of Delta Lloyd customers or employees.

In 2016, Delta Lloyd contributed € 922 million (2015: € 905 million) in taxes resulting from its operations, excluding corporate income tax (see also section Income taxes). The majority of this (€ 834 million) was paid to the Dutch Treasury, the remainder going to the Belgian Treasury. Taxes are collected on behalf of the company or on behalf of customers and employees. The contribution includes payroll taxes on insurance and banking products (€ 362 million); insurance premium taxes (€ 231 million); wage taxes; social premiums and employment taxes as cost of employment (€ 125 million); and non-deductible VAT as part of the operating costs (€ 85 million).

Total tax contribution - The Netherlands

in millions of euros	2016	2015	Change
Total VAT contribution to governments	84.7	77.5	7.2
Insurance premium taxes collected	231.4	212.7	18.7
Income taxes as cost of employment	124.6	125.5	-0.9
Payroll taxes on insurance- and banking products	362.0	357.4	4.6
Withholding tax on dividends	24.5	35.3	-10.8
Other taxes	6.5	5.3	1.2
Taxes as costs of the corporate income	**833.6**	**813.7**	**19.9**

Total tax contribution - Belgium

in milions of euros	2016	2015	Change
Total VAT contribution to governments	8.3	8.6	-0.3
Insurance premium taxes collected	22.8	22.9	-0.1
Income taxes as cost of employment	23.7	28.2	-4.5
Payroll taxes on insurance- and banking products	31.9	30.2	1.7
Withholding tax on dividends	0.5	0.1	0.5
Other taxes	0.9	0.9	-0.0
Taxes as costs of the corporate income	**88.1**	**90.8**	**-2.7**

Carbon footprint

In 2016, we reduced our carbon footprint by more than 10%, beating the 3% target we set for the year. Our Facilities department has made great headway with cutting the amount of waste we generate and paper we consume, as illustrated by the cradle-to-cradle coffee cups and better waste management introduced as part of the renovation of our headquarters. Another important development for us last year was the introduction of sensor-activated LED lighting. We also continued using solar panels, which in 2016 supplied us with an amount of energy equivalent to the energy used by 24.3 households in the Netherlands.

Our head office also continued to participate in a sustainability benchmarking study by Corporate Facility Partners (CFP). Although we performed better than the reference group in a number of areas, we want to improve our position compared to the benchmark. We made great progress in terms of waste and paper, performing 24% (2015: 13%) and 61% (2015: 38%) better than the reference group, respectively. One area where we did not perform better than the reference group is water consumption, and we intend to analyse our results in this area to decide how we can improve. We are also behind on electricity and gas consumption compared to the best-in-class companies.

Climate change

CO2 emissions	2016 (in tonnes)	2015 (in tonnes)
Energy consumption	2,156	2,255
Company cars	975	1,038
Paper consumption	343	501
Business flights	115	181
Business rail traffic	108	92
Waste generation	357	419
Water consumption	10	12
Total emissions	**4,064**	**4,498**

Delta Lloyd Foundation

The Delta Lloyd Foundation was established in 2008 to promote financial self-reliance in the Netherlands, especially in communities where long-term debt is contributing to poverty. It works with various partners to advance financial literacy, tackle debt and ultimately improve people's financial security. Fighting poverty is also a United Nations Sustainable Development Goal. Delta Lloyd employees volunteer their time and financial knowledge to help the Foundation further its goals.

Debt continues to be a persistent problem in the Netherlands. Often this is because people lack the financial know-how to manage their personal finances. Volunteers from Delta Lloyd teach people in their communities how to budget and manage their personal finances. The Foundation greatly values their contribution. It is a clear and evident example of Delta Lloyd's community involvement.

Delta Lloyd initiates its own financial literacy projects and we support those of other organisations with information and education programmes. In 2016, 399 Delta Lloyd employees volunteered for 597 tasks across 41 projects.

Fighting poverty

One of the Foundation's main priorities is to tackle poverty and reduce persistent debt through its 'Debt to Opportunities' programme. In the next five years, it wants to help 11,625 low-income households to get rid of their debt. The programme's activities are focused on five Dutch cities where Delta Lloyd has offices – Amsterdam, Rotterdam, Arnhem, Zwolle and Helmond. The programme offers vulnerable households practical information about where they can get help and advice and connects social organisations, researchers, academics and volunteers. The Amsterdam University of Applied Sciences is monitoring the programme's impact to gain a greater understanding of the most effective ways to tackle debt and poverty.

In a PWC report on the way businesses are implementing the United Nations 17 Sustainable Development Goals, Delta Lloyd is recognised for best practise on the goal to fight poverty. The report, published in October 2016, said Delta Lloyd's Annual Review provided an "interesting example of how such a complex issue can be brought closer to a company's core business". It continued saying that the strong connection drawn between debt and poverty, "acknowledges that many households are pushed into poverty because they lack the skills to manage their finances".

We believe that through the 'Debt to Opportunities' programme we are contributing to a sustainable solution to poverty in the Netherlands.

GRI table – Core

GRI-table – G4 Core

Indicator	Disclosure	Reference
Strategy & analysis		
G4-1	Statement CEO about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability	CEO Letter
Organisational profile		
G4-3	Name of the organisation.	Delta Lloyd N.V.
G4-4	Primary brands, products, and services	About Delta Lloyd - Our Brands
G4-5	Location of the organisation's headquarters	P.O. Box 1000, 100BA Amsterdam, The Netherlands
G4-6	Number of countries operating	About Delta Lloyd
G4-7	Nature of ownership and legal form	Consolidated financial statements
G4-8	Markets served	Our Brands Consolidated financial statements - Segment information
G4-9	Scale of the organisation	Highlights (Net sales) Workforce (total number of employees) Consolidated financial statements
G4-10	Profile of the workforce	Workforce Partially reported: G4-10d Only gender not by region. Not reported: G4-10 a, c, e. The breakdown of our workforce by these GRI-parameters are not deemed relevant for steering our operations.
G4-11	Employees covered by collective bargaining agreements	96.3%
G4-12	Supply chain	Supply chain management We do not have a description of our supply chain because our core business, financial services, is not significantly reliant on suppliers. We do however have suppliers that deliver us products and services.
G4-13	Significant changes during the reporting period	CEO Letter Delta Lloyd in 2016
G4-14	Precautionary approach or principle	Asset management - Responsible Investment ESG Board/Responsible Investment Committee

GRI-table – G4 Core

Indicator	Disclosure	Reference
G4-15	Economic, environmental and social charters, principles or other initiatives	UN Global Compact Principles UN PSI - Principles of Sustainable Insurance UN PRI - Principles of Responsible Investment
G4-16	Memberships of associations	MVO Nederland Verbond van Verzekeraars Werkgroep DNB Sustainable Finance (? check naam werkgroep) Eumedion VBDO - Vereniging Beleggers Duurzaam Ondernemen Nederlandse Klimaatcoalitie
Identified material aspects and boundaries		
G4-17	Financial statements	Consolidated financial statements
G4-18	Report content	Stakeholder & materiality
G4-19	Identified material aspects	Stakeholder & materiality Materiality assessment
G4-20	Aspect Boundary within the organisation	All information regarding our policy, strategy, agenda and associated indicators, procedures and systems relate to our own organisation, unless otherwise specified in the report. However, it should be noted that Delta Lloyd and its activities are not isolated from its surroundings. Therefore, most material issues have an impact both inside and outside our organisation.
G4-21	Aspect Boundary outside of the organisation	See G4-20
G4-22	Restatements	No restatements occured regarding the non-financial data
G4-23	Significant changes in the Scope and Aspect Boundaries	Stakeholder & materiality Materiality assessment
Stakeholder Engagement		
G4-24	List of stakeholders	Stakeholder & materiality
G4-25	Basis for identification and selection of stakeholder	Stakeholder & materiality
G4-26	Approach to stakeholder engagement	Stakeholder & materiality
G4-27	Report key topics and concerns that have been raised through stakeholder engagement	Stakeholder & materiality
Report Profile		
G4-28	Reporting period	01 January 2016 - 31 December 2016
G4-29	Date of most recent previous report	Published on 24 February/23 March 2016
G4-30	Reporting cycle	Annually

GRI-table – G4 Core

Indicator	Disclosure	Reference
G4-31	Contact point	About this report - Reporting Principles
G4-32	Reporting guideline and reference to External Assurance	About this report - Reporting Principles In accordance: Core Assurance Statement
G4-33	Policy and current practice with regard to seeking external assurance	About this report - Reporting Principles Assurance statement
Governance		
G4-34	Governance structure including committees under governance body	Asset management - Responsible Investment Corporate Governance - ESG Board/Responsible Investment Committee
Ethics and integrity		
G4-56	organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	Corporate governance statement
Material aspects		
Economic		
Risk management (G4 aspect: Economic performance)		
DMA	Disclosure on management approach	Our strategy Risk management Consolidated financial statements
G4-EC1	Direct economic value generated or distributed	Risk management Consolidated financial statements
Law and regulation (G4 aspect: Compliance)		
G4-DMA	Generic Disclosures on Management Approach	Compliance
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	There were no significant fines paid by Delta Lloyd in 2016.
Customer satisfaction (G4 aspect: Product and service labeling)		
G4-DMA	Generic Disclosures on Management Approach	Customers
G4-PR5	Results of surveys measuring customer satisfaction	Customers
Transparency (G4 aspect: Compliance)		
G4-DMA	Generic Disclosures on Management Approach	Product approval and review Privacy is an essential theme to material matter Online distribution

GRI-table – G4 Core

Indicator	Disclosure	Reference
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Delta Lloyd has not paid any significant monetary fines regarding non-compliance with laws or regulations concerning the provision and use of products and services.
Responsible Investment (G4 aspect: Product responsibility)		
Product portfolio DMA (FSS)	organisation wide goals regarding performance relevant to this Aspect, including plans to improve implementation of policies/procedures identified in Policies with specific environmental and social components applied to business lines and Procedures for assessing and screening environmental and social risks in business lines.	Asset management - Responsible investment Life insurance - Responsible insurance
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.	Asset management - Responsible investment Life insurance - Responsible insurance
Active ownership DMA (FSS)	Voting polic(ies) applied to environmental or social issues for shares over which the reporting organisation holds the right to vote shares or advises on voting.	Asset management - Responsible investment Life insurance - Responsible insurance More information on Delta Lloyd's voting policy related to environmental or social issues can be found on: http://www.deltalloydassetmanagement.eu/en/responsible-investment/voting-policy/ https://vds.issgovernance.com/vds/#/MzU2Mg==/
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	Asset management - Responsible investment Life insurance - Responsible insurance We increasingly apply strict selection criteria to more of our funds, reflecting our ambition to invest in a sustainable way by incorporating ESG criteria in our investment process. As a responsible investor, we engage with the companies we invest in on sustainability issues and exercise our voting rights. More information on how Delta Lloyd interacts with companies within their portfolio on environmental or social issues can be found on:http://www.deltalloydassetmanagement.eu/en/responsible-investment/responsible-investment-activities/

GRI-table – G4 Core

Indicator	Disclosure	Reference
FS11	Percentage of assets subject to positive and negative environmental or social screening	Asset management - Responsible investment Life insurance - Responsible insurance We base our investment decisions on environmental, social and governance (ESG) factors. All our investment activities (100%) are screened by our ESG criteria.
Audit DMA (FSS Former FS9)	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.	Supply chain management All our investment activities (100%) are screened by our ESG criteria. Also within our supply chain we are determined to analyse our clients (84% of all suppliers were screened).
Delta Lloyd's Own indicators		
Online distribution		
DMA		Stakeholders and materiality - materiality assessment Asset management - Responsible investment Online and digital Delta Lloyd in 2016 - Customers
DL1	Improve our online offering	We do not track the improvement of our online offering with dedicated indicators yet. We do however qualitatively report on the major developments, please refer to: Online and digital Delta Lloyd in 2016 - Customers
New technologies		
DMA		Stakeholders and materiality - materiality assessment Asset management - Responsible investment Gernal insurance - Technology Delta Lloyd in 2016 - Customers
DL2	Innovative products and services developed	We do not track the number of innovative products and services developed. We do however qualitatively report on the major developments, please refer to: General Insurance - Prevention General Insurance - Technology Delta Lloyd in 2016 - Customers
Customer centricity		
DMA		Stakeholders and materiality - materiality assessment Customers Delta Lloyd in 2016 - Customers

GRI-table – G4 Core

Indicator	Disclosure	Reference
DL3	Customer centricity	Non-financial key performance indicators - AFM Customer Centricity Dashboard Customers

Abbreviations

A&E	Asbestos and environmental pollution claims
ABC	Activity-based costing
ABS	Asset Backed Securities
AC	Audit Committee
AFM	Financial Markets Authority *(Autoriteit Financiële Markten)*
AFS	Available for sale
AG	Dutch Society of Actuaries (*Actuarieel Genootschap*)
ALCO	Asset & Liability Committee
ALM	Asset & Liability Management
APF	General pension fund (*Algemeen Pensioen Fonds*)
AuM	Assets under management
AVIF	Acquired value of in-force business
BMO	Business Management Objective
Bps	Basis points
CAO	Collective labour agreement (*Collectieve Arbeids Overeenkomst*)
CBS	Statistics Netherlands (*Centraal Bureau voor de Statistiek*)
CDO	Collateralised debt obligation
CFO	Chief Financial Officer
CLO	Collateralised loan obligation
Coll-AAA curve	Collateralised AAA curve
COR	Combined operating ratio
CRD IV	Capital Requirement Directive IV
CRO	Chief Risk Officer
CRA	Credit Risk Adjustment
DAC	Deferred Acquisition Costs
DBO/DB	Defined Benefit Obligation
DC	Defined Contribution plan
DCGC	Dutch Corporate Governance Code
DLAM	Delta Lloyd Asset Management
DLL	Delta Lloyd Levensverzekering
DLS	Delta Lloyd Schadeverzekering
DNB	Dutch Central Bank (*De Nederlandsche Bank NV*)
DPF	Discretionary participating features
ECB	European Central Bank
EGM	Extraordinary General Meeting

EIOPA	European Insurance and Occupational Pensions Authority
EONIA	Euro OverNight Index Average
EMTN	Euro Medium Term Note
ESG	Environmental Social Governance
EV	Embedded value
FTE	Full-time equivalent
FVTPL	Fair value through profit or loss
GAAP	Generally accepted accounting principles
GRAS	Group Risk Appetite Statement
GSB	Separate Investment Portfolio *(Gesepareerde Beleggingsdepot)*
HFT	Held for Trading
HRM	Human Resource Management
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IBNR	Incurred but not reported
IFRIC	International Financial Reporting Interpretations Committee
IGD	Insurance Group Directive
IFRS	International Financial Reporting Standards
IM	Internal Model
KKV	Keurmerk Klantgericht Verzekeren (*insurance quality hallmark*)
LAC DT	Loss Absorbing Capacity of Deferred Tax
LAT	Liability adequacy test
LCR	Liquidity coverage ratio
LLP	Last Liquid Point
LTMV	Loan To Market Value
MASC	Method and Assumption Setting Cycle
NAPI	Net Annual Premium Income
NBB	National Bank of Belgium
NBM	New business margin
NHG	National Mortgage Guarantee (*Nationale Hypotheek Garantie*)
NPS	Net Promoter Score
NVB	Nederlandse Vereniging van Banken (*Dutch Bankers' Association*)
NYSE Euronext	New York Stock Exchange Euronext
OCI	Other comprehensive income
OIS	Over Night Index Swap
ORSA	Own Risk and Solvency Assessment
OTC	Over-the-counter
OTT	Other than Trading
PIM	Partial Internal Model
pp	Percentage points

PPI	Premium Pension Institution (*premiepensioeninstelling*)
RGA	Reinsurance Group of America
RIAV	Agreements on information provision to policyholders (*Regeling informatieverstrekking aan verzekeringnemers*)
RICS	Royal Institution of Chartered Surveyors
RMBS	Residential mortgage-backed security
RMS	Risk Management Solutions (*catastrophe model*)
RPGC	Remuneration Policy Governance Committe
SCR	Solvency Capital Requirement
SF	Standard Formula
SIC	Standing Interpretations Committee
SII NB	Solvency II New Business
SPV	Special purpose vehicle
S&P	Standard & Poor's ratings services
UFR	Ultimate forward rate
VA	Volatility Adjustment
VIP-is	Variable Incentive Plan for identified staff
VIP-om	Variable Incentive Plan for other managers
VIU	Value in use
WAO	Occupational Disability Insurance Act (*Wet op de arbeidsongeschiktheidsverzekering*
Wft	Financial Supervision Act (*Wet op het financieel toezicht*)
WIA	Work and Income (Capacity for Work) Act (*Wet werk en inkomen naar arbeidsvermogen*)

Glossary

Acquired value of in-force business (AVIF)
The present value of future profits on a portfolio of insurance and investment contracts acquired either directly, or through the purchase of a subsidiary, is recognised as an intangible asset.

Acquisition costs
Fixed and variable costs arising from writing insurance contracts.

Actuarial gains and losses
These comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions.

Amortised cost of financial asset or financial liability
The amount at which the financial asset or financial liability is measured at initial recognition less any principal repayments plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

Asset and liability management (ALM)
The process Delta Lloyd uses to gain insight into mutual dependencies in the development of its assets and liabilities, with the aim of limiting market risks while at the same time achieving the highest possible return within those limits.

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

Available for sale (AFS)
This is a category of financial assets, other than derivative financial instruments, designated as available for sale or that are not classified as loans, held-to-maturity investments, or financial assets at fair value through profit or loss. They are measured at fair value with gains and losses recognised through equity.

Basel III
Recommendations on banking laws and regulations issued by the Basel Committee on Banking Supervision.

Claims ratio
The claims ratio is claims, including claims handling costs, expressed as a percentage of net written premiums.

Collateralised AAA curve
Before 30 June 2016, Delta Lloyd defined the discount curve for the majority of its insurance liabilities as the higher of the DNB swap curve and a yield curve derived from collateralised AAA euro-area bonds. This composite curve is known as the Collateralised AAA curve. At 30 June 2016, this curve was replaced by the IFRS discount curve.

Collateralised debt/loan obligation (CDO or CLO)
The general term for a type of debt or loan obligation secured on collateral consisting mainly of receivables, such as a group of mortgages.

Combined operating ratio
A measure of profitability used by an insurance company to indicate how well it is performing in its daily operations. A ratio below 100% indicates that the company is making underwriting profit while a ratio above 100% means it is paying out more money in claims that it is receiving from premiums. The combined operating ratio is calculated by taking the sum of incurred losses and expenses and dividing this by earned premium.

Commercial paper
A tradable loan issued by a financial institution or large enterprise with a term of usually less than two years, and in general between one and six months, and which is not secured.

Control
Delta Lloyd has control of an (structured) entity if it (a) has power over the entity; (b) is exposed, or has rights, to variable returns due to its involvement in the relevant activities of the entity; and (c) has the ability to use its power to affect the level of return, reflecting a link between power and return.

Coverage ratio (pensions obligation)
The investments divided by defined benefit obligation.

Capital Requirement Directive IV (CRD IV)
An European Union legislative package to bring the regulatory standards on bank capital adequacy and liquidity of the Basel Committee on Banking Supervision into European law.

Credit default swap
A contract between two parties under which the credit risk is transferred from a third party.

Credit risk
The risk that one party to a financial instrument will cause a financial loss for the other party by failing to fulfill an obligation.

Currency risk
The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Deferred acquisition costs (DAC)
Costs directly attributable to the acquisition of new business for insurance and participating investment contracts are deferred provided they are covered by future margins on these contracts. Acquisition and selling costs for non-participating investment contracts and investment management contracts that are directly attributable to securing investment management services are also deferred.

Defined benefit obligation (DBO or DB)
Pension plan other than a defined contribution plan. The amount to be paid for the pension entitlement is set using a formula that is usually based on the employee's income and/or length of service.

Defined contribution plan (DC)
Pension plan under which an entity (a company) pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to meet its obligations to its current and future beneficiaries.

Delta Lloyd
Delta Lloyd NV and its subsidiaries.

Derivative financial instruments
Derivative financial instruments include foreign exchange contracts, interest rate futures, currency and interest rate swaps, currency and interest rate options (both written and purchased), swaptions and other financial instruments that derive their value mainly from underlying interest rates, foreign exchange rates, commodity values or equity instruments.

Diluted earnings per ordinary share
This is calculated by dividing the net result for the period attributable to holders of ordinary shares by the weighted average number of ordinary shares in issue adjusted for dilutive potential ordinary shares, such as convertible bonds and share options.

Dilution
A reduction in earnings per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued subject to the satisfaction of specified conditions.

Discretionary participating contracts
Contracts with discretionary participating features (DPF) are contracts in which policyholders are assigned an entitlement to a profit share of which the timing and/or level is at the insurer's discretion in addition to their entitlement to a guaranteed element. Delta Lloyd is entitled to decide whether this additional return is distributed to the policyholders or the shareholders, subject to the contract terms and conditions.

Earnings per ordinary share
This is calculated by dividing the net result attributable to holders of ordinary shares after deduction of the preference share dividend for the period by the weighted average number of ordinary shares in issue during the period, excluding the weighted average number of ordinary shares purchased by Delta Lloyd and held as treasury shares.

Economic capital
Unlike external minimum capital requirements, such as those imposed by regulators, economic capital refers to the amount of capital that Delta Lloyd needs, according to its own insights, to absorb economic risks. The economic capital is the total capital employed according to a valuation of assets and technical obligations based on economic principles. The required economic capital is the required solvency level, based on the internal models of Delta Lloyd, to meet its obligations over a one-year period with at least 99.5% probability.

Effective interest method
A method of calculating the amortised cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period.

Embedded value (EV)
Embedded value comprises the market value of the freely distributable shareholders' funds (net worth) and the present value of the expected future results on the life insurance portfolio itself (value of in-force).

Equity method
A method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

Euro over Night index average (Eonia)
Eonia is the one-day interbank interest rate for the euro zone. Hence it is the rate at which banks provide loans to each other with a duration of one day.

EU carve-out
The EU created a 'carve-out' in 2005 from certain aspects of the IAS 39 hedge accounting rules to ease hedge accounting. The following aspects were carved out: hedges of prepayment risk in macro fair value hedges; hedges where the hedged risk is lower than that represented in the hedging instrument (also known as the sub-LIBOR issue); and the ability to apply fair value hedge accounting to demand deposits.

Fair value
The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

Goodwill
The positive difference between the cost of an acquired activity and Delta Lloyd's share in the fair value of the assets, liabilities and contingent liabilities of the acquired subsidiary on the acquisition date.

Gross written premiums
Total premiums (earned or unearned) in a given period on insurance and reinsurance contracts (including deposits for investment contracts with no or limited life insurance features).

Gudrun index
An index used to value commercial property in .

Held for sale
A business or group of assets for which the carrying amount will be recovered principally through a sale transaction rather than through continuing use.

IFRS discount curve
As of 30 June 2016, Delta Lloyd uses an IFRS discount curve which is based on the Solvency II curve, including a volatility adjustment, credit risk adjustment and an UFR as the estimate for a current market interest rate curve under IFRS. The basis curve is the EUR swap curve. Interpolation is applicable for maturities for which no interest rate is provided up to the last liquid point.

Incurred but not reported (IBNR) provision
A provision for claims that have occurred by the reporting date but have not yet been reported to the insurer.

Insurance contract
A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder in exchange of a premium.

Insured event
An uncertain future event that is covered by an insurance contract and creates insurance risk.

Interest rate risk
The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates or the Collateralised AAA curve.

International Financial Reporting Standards (IFRS)
Reporting standards and interpretations for companies adopted by the International Accounting Standards Board (IASB). These comprise:

- International Financial Reporting Standards (IFRS);
- International Accounting Standards (IAS); and
- Interpretations by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

Investment contracts
Any contract not included in the scope of IFRS 4 is classified as an investment contract and treated as a financial instrument. Investment contracts can be reclassified as insurance contracts after inception if the insurance risk becomes significant.

Joint control
The contractually-agreed sharing of control over an economic activity that exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Joint venture
See joint control.

Lapse risk
The risk that policyholders will terminate their insurance contracts earlier or, more often, before the expiry date. The stress test assumes an increase in the lapse rate, meaning a decline in future profits and earlier benefit payments. This only affects the Life business, due to the permanent character of Life contracts. Most general insurance contracts are short-term contracts (usually one year).

Lease
An agreement where the lessor transfers the right to use an asset for an agreed period to the lessee in return for a series of payments.

Legal and regulatory risk
The risk of not complying with laws, regulations and Delta Lloyd's own policies and procedures, including risks related to legal proceedings, compliance and tax.

Liquidity coverage ratio
A ratio showing how sufficient the liquid stock of assets is in case of a stress situation (e.g. mass lapse, catastrophe).

Liquidity risk
The risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

Longevity risk
The opposite effect of mortality risk. The effects of a further improvement in life expectancy over and above the expected improvement already built into the current prognoses. These effects lead to higher benefit costs for annuities and lower payments under term life policies.

Market risk
The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Method and assumption setting cycle (MASC)
In this cycle, all methods and assumptions used to determine provisions and the liability adequacy tests are adjusted and validated.

simulation model
A mathematical model that provides a range of outcomes and the probabilities they will occur for any choice of action.

Mortality risk
The opposite effect of longevity risk. The mortality figure may undergo an extreme increase as a result of external factors (e.g. a worldwide pandemic). This leads to accelerated payment of traditional life insurance policies, an increase in payments under term life policies and a possible decrease in benefits paid under annuities.

Mortgage-backed securities (MBS)
Mortgage-backed securities are securities where the cash flows are covered by the principal and/or interest payments in a portfolio of mortgages.

Net investment income
Investment income consists of cash and stock dividends, interest and rental income receivable for the year, fair value changes in investments through profit or loss, impairment charges on available-for-sale investments, impairment charges on loans and receivables at amortised cost, and gains and losses on the sale of investments.

Net written premiums
Gross written premiums less reinsurance premiums paid in a given period.

Non-controlling interest
That portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned directly by Delta Lloyd NV or indirectly through subsidiaries.

Offerer
NN Group Bidco B.V., a wholly-owned direct subsidiary of NN Group.

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

Over-the-counter (OTC) instrument
Non-standard financial instruments that are not exchange traded but negotiated directly between market parties.

Phantom option
A conditional option that entitles the holder to receive in cash the increase in value of a 'performance unit' measured from the date of grant until the date of exercise.

Premiums earned
The portion of net written premiums in the current and previous periods that relate to the expired part of the term or the policy, calculated by deducting movements in the provision for unearned premiums and unexpired risks from the net premiums.

Provision for unearned premiums
The proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods.

Proxy curve
The curve composed on the basis of credit curves with similar credit rating in the same industry sector and industry group.

Realistic net asset value
The value of shareholders' funds when all assets and liabilities have been measured on an economic basis.

Receiver swaption
A receiver swaption entitles the buyer to enter into a swap where a fixed interest rate is received on a principal sum and a variable interest rate is paid on the same principal sum. The seller of a receiver swaption undertakes, upon the exercise of the swaption by the buyer on the exercise date, to enter into a swap where the seller pays a fixed interest rate on the principal sum in exchange for a variable interest rate on the same principal sum. The seller receives a premium for entering into the swaption.

Report of the Executive Board
The Delta Lloyd report of the executive board (Bestuursverslag), as referred to in section 2:391 of the Dutch Civil Code. Specific chapters to be mentioned in this matter are Overview, How we create value, Delta Lloyd in 2016, Human capital, Risk management and compliance, Corporate governance, Management statement and the In control statement.

Repurchase agreement
Contract under which parties commit to sell bonds or equities to each other at a given time and to trade those securities in the opposite direction in the future.

Share premium
Calls paid on shares in excess of the nominal value.

Silo
A silo is part of an entity, for which control is assessed as if it were a separate entity, when all of the following criteria are met:

- specified assets of the entity are the only source of payment for specified liabilities of (or other interests in) the entity and
- apart from the party with the specified liability of the silo, other parties do not have rights or obligations related to the specified assets or to residual cash flows from the assets.

Significant influence
The power to participate in the financial and operating policy decisions of an entity, but not to exercise control over those policies. Significant influence may be gained by share ownership, by law or under an agreement.

Solvency II
The new regulatory framework for insurance companies operating in the European Union.

Stadim index
An index used to value residential property in .

Strategic risk
The risk that targets are not achieved because the business units of Delta Lloyd fail to respond, or respond inadequately, to changes in the business environment and risks related to matters such as mergers and acquisitions, brands and reputation, risk management, audits, corporate social responsibility, climate, customers and communications.

Structured entity
An entity that has been designed so that voting rights are not the dominant factor in deciding who controls the entity, for example when any voting rights relate to administration tasks only and the relevant activities are directed by means of contractual agreements.

Subrogation
Some insurance contracts allow Delta Lloyd to pursue third parties for payment of some or all costs (income from subrogation).

Subsidiary
An entity, including an entity without legal personality such as a partnership, over which another entity (the parent) exercises control.

Ultimate forward rate (UFR)
The UFR is the fixed forward discount rate, after the last liquid point in the swap futures

Unit-linked contracts
Contracts where savings are invested in investment funds. The savings are used to purchase units. There is often a choice between equity, bond and mixed funds.

Vesting conditions
The conditions that employees must satisfy to become entitled to receive cash or equity instruments of Delta Lloyd, under the share-based payment arrangements. Vesting conditions include service conditions, which require the employee to complete a specified period of service, and performance conditions, which require specified performance targets to be met.

Disclaimer

Certain statements contained in this annual report that are not historical facts are "forward-looking statements". Forward-looking statements are typically identified by the use of forward looking terminology such as “believes”, “expects”, “may”, “will”, “could”, “should”, “intends”, “estimates”, “plans”, “seeks”, “assumes”, “anticipates”, “continues”, “annualised”, “goal”, “target” or “aim” or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy that involve risk and uncertainties. The forward-looking statements in this annual report are based on management’s beliefs and projections and on information currently available to them. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond Delta Lloyd's control and all of which are based on management's current beliefs and expectations about future events.

Forward-looking statements involve inherent risks and uncertainties and speak only as of the date they are made. Delta Lloyd undertakes no duty to and will not update any of the forward-looking statements in light of new information or future events, except to the extent required by applicable law. A number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement as a result of risks and uncertainties facing Delta Lloyd and its subsidiaries. Such risks, uncertainties and other important factors include, among others: (i) changes in the financial markets and general economic conditions, (ii) changes in competition from local, national and international companies, new entrants in the market and self-insurance and changes to the competitive landscape in which Delta Lloyd operates, (iii) the adoption of new, or changes to existing, laws and regulations including Solvency II, (iv) catastrophes and terrorist-related events, (v) default by third parties owing money, securities or other assets on their financial obligations, (vi) equity market losses, (vii) long- and/or short-term interest rate volatility, (viii) illiquidity of certain investment assets, (ix) flaws in underwriting assumptions, pricing and/or claims reserves, (x) the termination of or changes to relationships with principal intermediaries or partnerships, (xi) the unavailability and unaffordability of reinsurance, (xii) flaws in Delta Lloyd’s underwriting, operating controls or IT systems, or a failure to prevent fraud, (xiii) a downgrade (or potential downgrade) of Delta Lloyd’s credit ratings, and (xiv) the outcome of pending, threatened or future litigation or investigations, or other factors referred to in this annual report.

Should one or more of these risks or uncertainties materialise, or should any underlying assumptions prove to be incorrect, Delta Lloyd‘s actual financial condition or results of operations could differ materially from those described herein as anticipated, believed, estimated or expected.