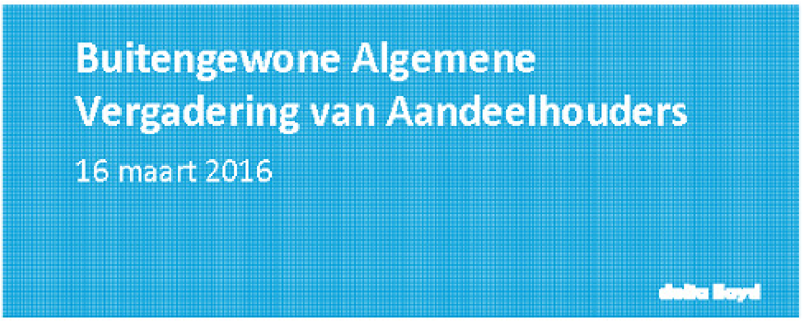
MINUTES


Buitengewone Algemene
Vergadering van Aandeelhouders
16 maart 2016
delta lloyd

These English minutes are a translation of the minutes originally drawn up in the Dutch language. In case of any discrepancy, the Dutch version will prevail.

430 shareholders are registered for or represented at this meeting. In total, they represent 104,083,303 ordinary shares and 10,021,495 preference shares, being about 48.03% of the issued capital.

I. Opening and announcements

The **chairman** warmly welcomed all those present and the webcast listeners to the meeting. He introduced the members of the Executive Board (EB), the members of the Supervisory Board (SB) and the civil-law notary who are sitting with him on the podium.

He noted that the external auditor (Messrs Niewold and Van Overmeire and Ms Snaak of EY) was also present, adding that the auditor was also exempted from confidentiality for this meeting. Ms Quispel would draw up the minutes of this meeting in her capacity as secretary to the SB. In line with the Corporate Governance Code, the report on this meeting would be made available within no more than three months after the meeting via the Delta Lloyd website. There would be an opportunity to respond to the report in the subsequent three months. The report would then be adopted by the chairman and the secretary.

One item on today's agenda was the vote on the rights issue. Underlining that both the SB and the EB acknowledge that a substantial financial contribution was being requested from the shareholders, the chairman noted that this step was not being taken lightly. 2015 was a difficult year for Delta Lloyd with many challenges. In many respects 2015 was a year of transition, but also one in which progress had been made. The EB and SB were both totally committed to positioning Delta Lloyd as well as possible for the future. They wanted to do this in a responsible manner, taking into account the opinions of shareholders and the other stakeholders wherever possible. A great deal of support was received from investors during the roadshow, but some shareholders had also expressed deep concerns. Interim injunction proceedings initiated by Highfields to prevent Delta Lloyd from putting the rights issue to a vote at this shareholders' meeting took place at the Enterprise Chamber of the Amsterdam Court of Appeal last Monday. The Enterprise Chamber had rejected Highfields' request. Whilst regretting that these court proceedings could not be avoided, Delta Lloyd was convinced of the need for the rights issue. The chairman of the EB, Hans van der Noordaa, would provide detailed information on the rights issue later in the meeting.

Shortly before this meeting, Delta Lloyd had issued a press release announcing an agreement between Delta Lloyd and Fubon to continue their partnership talks. Ahead of this collaboration, certain arrangements and commitments had been made as a basis for further discussions between Fubon and Delta Lloyd. Fubon had the intention to expand its interest in Delta Lloyd to a maximum of 20% and, upon obtaining an interest of more than 15% in Delta Lloyd, Fubon would be entitled to supply a member of the SB. This appointment would, of course, be subject to regulatory approval from De Nederlandsche Bank (DNB) and the Netherlands Authority for the Financial Markets (AFM) as well as the approval of the Works Council and the shareholders' meeting. For further details, reference was made to the website www.deltalloyd.com. The press release was handed out to the attending shareholders before the meeting.

The meeting was announced in a press release dated 1 February 2016. The invitation, the agenda and the accompanying documents for this meeting were published on the same day on the Delta Lloyd website. The registration date was 17 February 2016. The shareholders had had an opportunity to read the agenda with notes and the other documents, including the proposal to amend the articles of association and accompanying notes, which were available for inspection at the office and on the website of Delta Lloyd. All formal requirements for the convocation of this meeting had thus been satisfied, so that this meeting was authorised to pass legally valid resolutions. No requests had been received from the shareholders to put additional items on the agenda.

Civil-law notary Leemrijse had received a large number of proxies and voting instructions via ABN AMRO e-voting. An electronic voting system would be used during this meeting and Ms Leemrijse would explain the voting procedure and lead the voting process. The definite list with the exact number of attendees was drawn up. The exact number of shareholders who had registered for the meeting and the number of votes they represented would be announced later in the meeting.

There would be an opportunity to ask questions during the discussion of the agenda items in the course of the meeting. The Chairman requested the shareholders to ask no more than three questions per shareholder at a time.

The meeting would be conducted in Dutch, with a simultaneous translation into English. Questions could be asked or comments made in English if required.

II. Notification of proposed appointment of Executive Board member (for discussion)

The SB announced the intention to appoint Mr Clifford Abrahams with immediate effect as a member of the Executive Board and Chief Financial Officer (CFO) for a four-year term ending after the annual General Meeting of Shareholders in 2020.

The CV of Mr Abrahams was mentioned with the notes to the agenda. DNB and AFM had approved the proposed appointment and the Works Council of Delta Lloyd had also issued a positive recommendation for this appointment.

The SB was delighted with the appointment of Clifford Abrahams as CFO of Delta Lloyd. His in-depth knowledge of insurance, his international experience and his background as CFO at a listed insurer, where he also led the successful transition to Solvency II, are extremely valuable assets for Delta Lloyd. Mr Abrahams was present at the meeting.

Mr **Broenink** asked Mr Abrahams for his personal views and opinion on Delta Lloyd and what his plans were for Delta Lloyd.

Mr **Abrahams** replied that Delta Lloyd was a splendid company with a great track record, a wonderful history and an equally wonderful future ahead of it. His first priority was to work with the other members of the EB to strengthen the company's balance sheet and also to make thorough preparations for the Partial Internal Model approval and implementation process. Looking to the future, he wanted to improve the company's operational and financial performance. He was also keen to improve and strengthen the company's relationship with all stakeholders, including the shareholders.

Mr **Keyner** (Association of Stockholders/VEB) noted that the VEB had problems with special longer-term bonuses which are unrelated to performance. He referred to Mr Abrahams' welcome bonus of more than EUR 800,000. He asked whether a welcome bonus had been an inevitable condition for securing the services of Mr Abrahams.

The **chairman** indicated that this was indeed unavoidable. Mr Abrahams had had to give up certain benefits he had at Aviva, whose value far surpassed the sign-on bonus. After ample thought and discussion, the SB had concluded that it was of decisive to get someone of Mr Abrahams' calibre on board. He added, incidentally, that conditions were attached to the bonus; including the partial payment in shares.

This structure had been specifically devised to make the bonus as acceptable as possible for all stakeholders of Delta Lloyd.

Mr **Van Riet** wanted to know Mr Abrahams' thoughts on the EUR 650 million rights issue that was being put to the meeting for approval.

Mr **Abrahams** said that the rights issue had his full support. It was vitally important to strengthen the company's balance sheet and in his opinion the rights issue was the correct solution for achieving this.

Noting that there were no further questions, the **chairman** confirmed that the SB would appoint Clifford Abrahams as a member of the Executive Board and Chief Financial Officer immediately after the meeting. Ahead of this appointment, he invited Clifford Abrahams to take his seat on the podium to answer any shareholder questions about the next agenda items.

III.a Rights Issue (for discussion and voting item)

To raise EUR 650 million of additional capital, Delta Lloyd intended to make an issue of new ordinary shares in the company's capital. Delta Lloyd wanted to do this by means of an issue of transferable subscription rights (the 'rights issue') and an issue of ordinary shares for the rights that were not legally exercised during the exercise period (the 'rump issue').

The rights issue formed part of a comprehensive plan consisting of management actions and capital measures to reinforce Delta Lloyd's solvency position in connection with Delta Lloyd's transition to the new Solvency II regime which became effective on 1 January 2016. The SB and EB realised they were requesting the shareholders' support for a substantial expansion of the share capital. This step was not being taken lightly. It was preceded by in-depth analyses, lengthy meetings and talks with diverse stakeholders. Both the SB and the EB were of the opinion that this step was necessary to position Delta Lloyd as well as possible for the future.

Mr **Van der Noordaa**, chairman of the EB, provided an explanation of the rights issue. He underlined that he fully realised the great demands this rights issue placed on Delta Lloyd's shareholders, particularly after the sharp fall in the value of their Delta Lloyd shares in the past year.

The transition to Solvency II had had far-reaching consequences for Delta Lloyd. Delta Lloyd needed to adapt to the new regulatory framework in order to secure its future success. Mr Van der Noordaa said he would explain the rights issue in more detail, and also tell more about Solvency II and Delta Lloyd's commercial potential. In addition, he would cast more light on the capital plan, of which the rights issue formed a key component, and briefly discuss the dividend proposal.

Frequent and lengthy discussion had been devoted to Solvency II, which had major consequences for the European insurance sector, and certainly also for Delta Lloyd. Solvency II is the European regulatory framework for insurance companies. Since 1 January 2016 all European insurers must comply with these new rules. The European regulator EIOPA has issued a principle-based standard for the whole of Europe, which the local regulator then interprets and supervises at national level. The relevant regulators are DNB for Delta Lloyd in the Netherlands and NBB (National Bank of Belgium) for the Belgian subsidiary.

Solvency II is a complex system that compels the sector to make extensive adjustments. Whereas Solvency I focused mainly on the size of the liabilities, Solvency II is emphatically targeted at the company-specific risks in both the balance sheet and the company's operations.

In view of the nature of the company's investment portfolio, this had particularly far-reaching consequences for Delta Lloyd. The buffer capital that an insurance company must maintain had become dependent on the risk profile applicable to that specific company. The more risk an insurer takes, the more capital it must maintain to cover that risk.

It was therefore imperative for insurers to effectively adjust their capital policy to the outcomes of their internal risk management and control procedures. This was an important part of Solvency II. Without going too deeply into the exact details, Solvency II meant that, starting from 1 January, Delta Lloyd had to maintain more buffer capital for the same policies than it was previously required to do under the old regulations. The new rules had increased the amount of required capital by almost half.

Though Solvency II had been in the pipeline for a number of years, the insurance sector long remained uncertain regarding the exact interpretation and details of some key components of the regulations. In the past months Delta Lloyd had made considerable progress in addressing certain unclear issues in the regulations, but even now some aspects of these rules and the correct interpretation of these rules still await further clarification.

In view of the developments surrounding Solvency II, a solid capital base was more crucial than ever to continue growing the company's commercial success in order to create shareholder value.

Mr Van der Noordaa highlighted the commercial and operational strengths of Delta Lloyd. Delta Lloyd had 4.2 million customers in the Netherlands and Belgium and its generally high customer satisfaction rating offered good opportunities for cross-selling. Delta Lloyd's consistent number 1 position among pension intermediaries was an important trump card for the future and was reaffirmed in 2015 by an independent agency. These advisers played a key role in bringing Delta Lloyd to the attention of future customers. Delta Lloyd had a consistent track record on cost savings, trimming costs by more than 30% over the past six years.

A full update on the strategy and its implementation would be given during the Investor Day. Mr Van der Noordaa homed in on three priorities. The first was to strengthen the distribution power. This was being done through our 'Closer to the Customer' strategy. Key elements of this included further digitisation, closer cooperation with the intermediary, stronger cross-sell opportunities by making better use of customer and intermediary data and increasing the range of sustainable products. The second priority was 'capital-light business and products'. This meant focusing on products that require less capital, where margin over volume is absolutely key. The announced launch of the General Pension Fund, marking Delta Lloyd's entry into a new market, was a good example of this. Finally, cost discipline remained an important priority for Delta Lloyd. The company was eyeing a further operational cost reduction of 10% until the end of 2018.

Solvency II imposed different capital base requirements. Delta Lloyd had a significantly lower Solvency II ratio than other European and Dutch insurers. At the end of last year, it was indicated that Delta Lloyd needed a solvency ratio within the bandwidth of 140% to 180%. This bandwidth took the volatility in the financial markets into account.

Delta Lloyd was confronted with developments and uncertainties within the Solvency II regulations, the most salient example being the possible adjustment of the UFR, the fixed interest rate used to calculate the value of liabilities. In addition, we needed to anticipate the criteria that credit rating agencies such as S&P would set for large companies like Delta Lloyd. The intention to pay out a stable dividend was also vital.

Delta Lloyd aimed to have a capital position in the upper half of this target by the end of this year. This ambition clearly reflected our intention to pay out a cash dividend, even if there was a recurrence of the volatility on the financial markets witnessed early in the year.

Delta Lloyd's capital position was 131% at the end of 2015. That was far too low under Solvency II rules. Mr Van der Noordaa referred to a presentation chart projected on a screen which showed the steps being taken to reach the upper half of this required bandwidth in 2016. Delta Lloyd wanted to be in the upper half of the bandwidth for the following reasons. Market volatility and the possible adjustment of the UFR in 2017 must be taken into account. If the interest rate were reduced by 100 basis points from 4.2% to 3.2%, this would have an impact of 33 percentage points on Delta Lloyd's solvency. Another new Solvency II development concerned the assessment framework. This was still very much under development and therefore also had to be taken into account. Depending on the developments in the coming years, Delta Lloyd would obviously need to recalibrate this bandwidth from time to time. With the support of its shareholders, Delta Lloyd could achieve the aimed bandwidth in two steps in 2016. The rights issue of EUR 650 million would add 25 percentage points, thereby lifting Delta Lloyd within the aforementioned bandwidth.

The announced management actions would add a further 20 percentage points, enabling Delta Lloyd to climb into the upper half of the capital target.

In 2015 and 2016 a good deal of progress had already been achieved in strengthening the capital position. The recently announced additional management actions were aimed at, among other things, further balance sheet measures and the sale of the interest in Van Lanschot.

The efficient use of capital and capital generation remained a top operational priority. Key aspects in this connection were the introduction of the Partial Internal Model in 2018, the strong focus on defined contribution products and active balance sheet management.

The rights issue was an important part of the capital plan. A rights issue for a maximum of EUR 1 billion was announced on 30 November 2015. In the past months Delta Lloyd was able to reduce the size of the issue thanks to the elimination of several uncertainties. Amongst other things, more clarity had been obtained about the LAC DT and additional management actions had been announced. This adjustment illustrated the complexity and the uncertainties confronting Delta Lloyd in the new solvency framework. Clearly, we listened carefully to the shareholders, but we also listened to the regulator.

Another important reason for the rights issue was to improve the liquidity position of the Delta Lloyd holding company. This served to create the buffer needed to absorb unexpected capital requirements and was also beneficial for future dividends.

Clearly other alternatives were studied, such as gradual growth towards the aimed target ratio, but the EB and SB both considered this irresponsible in view of the impact of previously mentioned uncertainties, the possible UFR adjustment and the expected negative consequences of slow shareholder value growth.

Failure to increase the company's capital would expose Delta Lloyd to one of the lowest solvency ratios among European insurers, which effectively boiled down to having excessive debt versus equity, poor liquidity and heightened sensitivity to market movements and regulatory changes. That would be irresponsible, Mr Van der Noordaa added.

Regarding the dividend, Mr Van der Noordaa announced the transfer to a full cash dividend policy effective from 2016. The premium on stock dividend would be scrapped, which was something many shareholders had insisted on. Shareholders could still opt for a dividend in shares, but the resulting dilution would be neutralised in the new dividend policy. The adjustment of the dividend policy was a separate item on the agenda of this meeting.

The aim for the 2016 financial year was to pay out a cash dividend of EUR 130 million. This amount was higher than the amount paid out in cash in the past three years and Delta Lloyd would make every effort to continue raising the bar in the coming years.

One question that cropped up regularly over the past weeks was why Delta Lloyd was paying out a dividend while also raising capital. The answer was that a dividend payment was important for very many Delta Lloyd investors. Some shareholders were not allowed to invest in shares that paid no dividend. Moreover, dividend was an important yardstick in the equity market for valuing companies. Just to be absolutely clear, Delta Lloyd had announced that no final dividend would be paid out for 2015, so the total dividend for 2015 would be limited to the interim dividend.

Mr Van der Noordaa concluded with a summary of his explanation of the proposed rights issue. Delta Lloyd was a splendid and strong company with a healthy business model and it deserved a good capital base. 2015 was a transition year in which the impact of Solvency II on Delta Lloyd became abundantly clear. Since November good progress had been made with the management actions. Many uncertainties about the Solvency II rules had meanwhile been addressed and Delta Lloyd had a much better understanding of its capital position and the correct and necessary steps that needed to be made. Various extra management actions had been defined to help Delta Lloyd grow to the upper half of its target ratio.

This required strengthening Delta Lloyd's capital buffers. The EUR 650 million rights issue was an essential part of the revised capital plan. The EB and SB saw this as necessary to preserve shareholder value, which was why Delta Lloyd was asking its shareholders to vote for this rights issue.

Mr Van der Noordaa expressed the confidence and commitment that Delta Lloyd could generate between EUR 200 million to EUR 250 million of capital per year in its business units. Delta Lloyd was aiming to pay out a cash dividend of EUR 130 million for 2016. The management team, along with 4,500 Delta Lloyd colleagues, was highly motivated to realise this objective, so that the future could be viewed with confidence.

The **chairman** thanked Mr Van der Noordaa for his explanation and gave the floor to Frank Peters, who wanted to make a brief statement on behalf of Fubon.

Mr **Peters** (Brandeis) said that he represented Fubon and referred to the press release issued shortly before this meeting, announcing an arrangement regarding a new relationship between Fubon and Delta Lloyd.

Despite its highly valued relationship with Delta Lloyd, Fubon was concerned about the information provided about this EGM and had supported the legal action taken by Highfields. In view of the events during the legal proceedings, the Enterprise Chamber's decision and the talks between Fubon and Delta Lloyd since that time, Fubon had come to the conclusion that it was in the interests of all of Delta Lloyd's stakeholders for this rights issue to go ahead and for Fubon to strengthen its relationship with Delta Lloyd. For this reason, Fubon had decided to vote in favour of the rights issue that was being proposed today to this shareholders' meeting (EGM).

Ms **Te Winkel** (Jones Day) introduced herself as Highfields' lawyer. She indicated that during the session last Monday Delta Lloyd had consistently claimed that the discussions about this rights issue were to take place at this EGM and that there was no room for such discussions outside the context of this EGM, whether in personal talks with shareholders or in the context of a court session. She therefore assumed that the EB of Delta Lloyd would answer Highfields' outstanding questions today. She asked whether the shareholders attending this EGM could be informed about the current state of affairs regarding the issued voting proxies or voting instructions.

The **chairman** answered that this was not yet possible, as it was not yet known.

Civil-law notary **Leemrijse** (Allen & Overy) said the voting instructions she had received were forwarded to the company responsible for entering these into the voting system the day before the meeting.

Ms **Te Winkel** asked what Delta Lloyd's ratios would have been under Solvency II making use of the Partial Internal Model.

Ms **Mijer** answered that Delta Lloyd's solvency figures as based on the standard formula had been disclosed at year-end. There were internal risk management principles and ways of looking at risks, while Delta Lloyd was currently in the process of making a Partial Internal Model. There was no Internal Model at the present moment. Delta Lloyd expected to present an Internal Model for approval to DNB in 2017 prior to its implementation in 2018.

As noted, a company comparable to Delta Lloyd with similar portfolios in similar markets could expect 10% to 15% point solvency ratio uplift relative to the Standard formula as published by Delta Lloyd at end-of 2015.

Ms **Te Winkel** (Jones Day) concluded from this that the assertion on page 12 of the financial statements, namely that Delta Lloyd had measured the solvency on the basis of both the Standard model and the Internal Model, was not entirely correct. She went on to say that the ratio for Solvency II based on the Standard model was influenced by various components, as also discussed during the session on Monday. One of these components was the LAC DT, the loss absorbing capacity of deferred taxes. At the session, this was said to consist of four components. The fourth component had to do with future profitability in a shock scenario. In the light of this component, DNB had evidently insisted that this rights issue would go ahead, as it could otherwise be taken on board in the solvency calculation. She asked how much of the LAC DT, which was currently estimated at EUR 437 million, was attributed to the fourth component.

The **chairman** observed that Ms Te Winkel's conclusion in relation to the previous question was entirely her own and not entirely accurate either.

Ms **Mijer** went into the LAC DT, the Loss Absorbing Capacity of Deferred Taxes, which was included in the deduction from the risk capital under Solvency II. She explained that in a 1-in-200 situation, i.e. a shock under Solvency II, you would lose the entire risk capital that was specifically held for such a situation. If that was a loss, you were allowed to use 25% of that loss as a deferred tax asset - but only if you could demonstrate that, under the prevailing tax rules, you were genuinely able to make a profit one year back and nine years forward. Delta Lloyd arrived at an amount of EUR 437 million for Delta Lloyd Life and Delta Lloyd General. Towards the end of December the regulator issued additional guidelines on how insurers had to interpret the rules published by EIOPA within the Netherlands. These guidelines indicated in even more detail what a company must do after such a shock to return to going concern status and to convincingly demonstrate its ability to generate these profits. More specifically, you must return to a 100% solvency level (the Minimum Capital Requirement) within three months and to your Solvency Capital Requirement (SCR) level within seven months. It was precisely because of these two requirements that Delta Lloyd needed a portion of the equity raise in order to be able to recapitalise Delta Lloyd Life and Delta Lloyd General within the set three-month period.

Ms **Te Winkel** asked what amount of the total potential LAC DT (which also comprises three other components) concerned the fourth component. If that amount was known, it would be possible to calculate whether it was true that the full EUR 437 million was not allowed to be included and whether this rights issue was really necessary, as Delta Lloyd claimed.

Ms **Mijer** answered that all published figures and the method used to calculate the LAC DT had been assessed and signed off by an independent party. This would also be made clear in the prospectus. So the shareholders could rest assured that the calculations were correct and in accordance with the EIOPA guidelines and the additional guidance from the regulator. The LAC DT stated in the Q4 figures of 2015 was EUR 524 million, of which EUR 437 million was attributable to Delta Lloyd Life and Delta Lloyd General. These were the future profits that Delta Lloyd could earn back according to the tax rules.

Ms **Te Winkel** asked Ms Mijer whether she was actually saying that the full EUR 437 million of potential LAC DT consisted of component 4 and that the three other components were nil.

The **chairman** wondered whether this somewhat technical discussion had any added valued for the shareholders. The fact was that almost nothing would be left of the LAC DT if Delta Lloyd did not raise additional capital. These were the rules and that effectively answered the question.

Ms **Te Winkel** wanted to ask more than three questions because she was acting on behalf of various entities of Highfields.

The **chairman** replied that the VEB also represented many shareholders, but that this did not mean they could ask a few hundred questions. He wanted to stick to the house rules and give other shareholders a chance to speak first.

Mr **Keyner** (VEB) wondered whether DNB would go along with a much lower figure than EUR 650 million. He said that investors were worried about the degree of dilution and wanted a rough idea of what the issue price would be. He asked whether more comfort could be given about the degree of dilution that shareholders were possibly facing. Regarding the dividend, Mr Keyner said he found it ridiculous in economic terms to raise expensive money now with lots of dilution and all sorts of manipulations, and to subsequently announce a EUR 130 million pay-out. He acknowledged Mr Van der Noordaa's argument that otherwise certain types of investors who, as a matter of principle, only invested in dividend-paying equities would otherwise be excluded. But surely, he continued, EUR 50 million should be enough to satisfy these investors. Finally, he indicated that the VEB was pleased with a large investor like Fubon, and asked whether Fubon had been given any goodies to help them overcome their fundamental objections.

Mr **Van der Noordaa** explained how Delta Lloyd had arrived at the amount of EUR 650 million. First of all, Delta Lloyd had made its own analysis. Next, Delta Lloyd had sought external advice, both from actuarial agencies and from the external parties assisting with this capital raise. Careful consideration had been given to the impact of the management measures. The analysis was then discussed very thoroughly with DNB. The regulator did not give you an exact number, but did give a very clear idea of what it expected and considered prudent. It would be extremely unwise not to listen carefully to the regulator and, at the same time, fail to take your shareholders' interests very seriously. Taking all these factors into consideration, Delta Lloyd reduced the aforementioned maximum of EUR 1 billion to EUR 650 million.

Regarding Fubon, Mr Van der Noordaa noted that talks about a strategic collaboration already started when Fubon became a major shareholder of Delta Lloyd last spring. For Delta Lloyd, it was interesting to explore ways of complementing one another in the areas of insurance, asset management and reinsurance. Fubon was clearly looking to expand its reach outside Asia. It currently concentrated mainly on North-East Asia. As a professional player in insurance, asset management and banking, Fubon was potentially an attractive long-term partner for Delta Lloyd. The enormous share price decline had caused considerable disappointment and frustration, also at Fubon. But Fubon and Delta Lloyd always remained in dialogue with one another. There were difficulties and misunderstandings, also because of the distance between the parties, but the parties never stopped talking with each other in the past period. Both agreed that, in the interests of our cooperation, it was important to take a longer-term view. A lot of energy went into explaining the capital plan under Solvency II, so that a well-informed assessment could be made. The CFO and Mr Van der Noordaa spent a lot of time with the top management of Fubon in order to nurture a good relationship with the shareholder. A further step had now been made towards a partnership with Fubon. Delta Lloyd was happy about this development, said Mr Van der Noordaa, because Fubon and Delta Lloyd had a lot to offer each other. Fubon was a long-term shareholder with lots of knowledge of the industry. Everything was transparent, at arms' length. Fubon was building its position in the market. Delta Lloyd played no role in this process, but was happy to have Fubon as a partner.

Mr **Abrahams** answered Mr Keyner's questions about dividend and dilution and indicated that the rights issue entailed a material financial obligation for all shareholders. The issue price had still to be set, but a significant discount was customary, particularly with such a large rights issue relative to the existing share capital. Shareholders had the option to exercise their rights or to sell these rights in the market. The rights were freely negotiable, so they could be used to create value. Despite the dilution, the nature of the rights issue also offered shareholders the opportunity to convert these into value and generate cash for other investments. He also said that dividend was in the interests of all shareholders. They were, above all, interested in a stable payout. Delta Lloyd was currently under capitalised. The rights issue would put Delta Lloyd in a respectable position within the range, enabling Delta Lloyd to climb to the upper half of the range later in the year. Today's vote was a crucial part of the process. He emphasised that capital was needed now and that the objective to pay out a dividend of EUR 130 million was important. It would allow Delta Lloyd to meet its short-term objectives and achieve its capital plan.

Mr **Spanjer** asked whether Delta Lloyd was planning to make use of its authorisation to issue 20% in total that the shareholders had delegated to the EB at the previous shareholders' meeting. He also wanted to know whether the preference shares A and preference shares B would be diluted if more ordinary shares were issued. He also asked whether these preference shares would be withdrawn in the future. Finally, he referred to an article in the FD citing Niek Hoek as saying that the issue was not necessary because EUR 1 billion could be found somewhere in the books. Delta Lloyd did not deny this in the FD, so Mr Hoek was evidently right, said Mr Spanjer. He asked for clarification.

The **chairman** noted that Mr Hoek was responsible for his own remarks and added that Delta Lloyd did not have EUR 1 billion stashed away in some corner. The balance sheet, the financial statements and the information as made public by Delta Lloyd was complete and correct. He also assured Mr Spanjer that issuing press releases to dispel every untruth that was published about Delta Lloyd would be a full-time job.

Mr **Van der Noordaa** replied that it was not unusual in the Netherlands for shareholders to delegate the authorisation to issue 2 x 10% to the EB. This was a permanent item on the AGM agenda. He also said that the management would exercise this authority with great restraint.

Mr **Swinkels** touched on Delta Lloyd's current share price and the price decline in the past year and asked Mr Van der Noordaa to explain this slump and also whether he already knew about the upcoming rights issue 9 months ago. Finally, he asked how much Fubon would be paying for the 15% of the shares they would be given.

The **chairman** made it clear that Fubon would not be given any shares. Fubon itself had to buy the shares in the market like everybody else.

Mr **Van der Noordaa** said he had no knowledge of a rights issue nine months ago. At the time Delta Lloyd was working on the transition to Solvency II and was still reporting on a Solvency I. basis. In the summer it became clear that there was volatility in the internal model, that certain adjustments were needed regarding the way mortgages were valued, and that there was a capital shortfall. Delta Lloyd then carried out a rigorous analysis of the Internal Model together with external advisers. In November Delta Lloyd indicated that transitioning to Solvency II would require a big step and that Delta Lloyd needed extra capital of up to EUR 1 billion, because there were still many uncertainties. The hard reality was that Delta Lloyd's capital base fell short of Solvency II requirements. Mr Van der Noordaa regretted that the share price had suffered from this news. Delta Lloyd was a splendid company with great brands such as Delta Lloyd, BeFrank, ABN AMRO Insurance and Ohra. The management wanted to create value for its shareholders in a step-by-step process. Delta Lloyd currently found itself in an unfortunate and regrettable situation but, as noted, this was due to the need to adjust to an entirely different solvency model.

Mr **Swinkels** wondered whether a loyalty dividend had been considered.

Mr **Van der Noordaa** thought this was a good suggestion that would be taken on board. Shareholders had raised the idea before but it had never actually been done.

Regarding an earlier question about the preference shares, the **chairman** explained that the preference shares B were protective prefs that were not subject to dilution. As for the preference shares A, the dividend was not diluted but the voting rights were.

Mr **Rienks** wanted to know more about the relationship between the interest rate and the problem that Delta Lloyd had too little equity. He also asked whether the amount raised through the issue would be used by Delta Lloyd for expansion. Finally, he wanted to know whether a takeover of Delta Lloyd had been discussed with Fubon or another party.

Mr **Abrahams** explained that the consequences of rising or falling interest rates for the company were difficult to predict. The important thing for Delta Lloyd was to have strong solvency, regardless of whether interest rates were high or low. That's why Delta Lloyd was trying to maintain a good balance between its assets and liabilities, so that the solvency remained roughly equal when interest rates changed.

Mr **Van der Noordaa** said that growth and expansion were always on the radar. Delta Lloyd had opted to focus on the Netherlands and Belgium. Germany did not deliver much and it was good to concentrate on your home market. But Delta Lloyd was definitely expanding. Delta Lloyd was market leader in defined contribution in the Netherlands. The company was investing in this market. It was recently announced that Delta Lloyd had applied for a General Pension Fund (APF) licence. This was a new instrument for approaching company pension funds. It was capital-light. And the start-up costs were manageable. Delta Lloyd was also active with a number of new products in the field of sustainable investing. Delta Lloyd had a partnership with Triodos in this field and had built up a leading position in wind farm insurance. Delta Lloyd was definitely continuing to invest in its business, but with a focus on capital-light operations. That was the future. In the current Solvency framework, guaranteed products involving more risk had become unaffordable. The entire market was shifting from defined benefit guarantees to defined contribution. Employers would not readily go back to the old situation. But there were definitely opportunities for growth in this market.

Delta Lloyd had considerable commercial prowess. The priority was to put the capital base back on a strong footing, so that Delta Lloyd would be well-positioned. It was not in the shareholders' interests to embark on wild adventures. Delta Lloyd would look critically at any moves towards consolidation in the Netherlands, preferably from a position of strength.

Mr **Stevense** (SRB) said he wanted to hear answers to Ms Te Winkel's questions about LAC DT. He also found it vexing that as soon as financial institutions like banks and insurance companies announced that their house was in order, the regulators came up with even more stringent conditions. He asked what Delta Lloyd was doing to counter this. Mr Stevense also said that everything had taken a long time. If the rights issue had been announced in August, the share price would not have fallen as sharply and Delta Lloyd could have issued fewer shares for the same money. Finally, he noted that, unlike Delta Lloyd, the National Bank of Belgium (NBB) did not report every three months on Solvency II. He asked whether Delta Lloyd had pointed this out to NBB.

The **chairman** observed that Delta Lloyd had no real influence over NBB.

Ms **Mijer** answered the question about LAC DT. The main issue was the EUR 437 million, which was based on future profits. If there were no capital raise, you would effectively lose this amount entirely in the solvency ratio calculation, as in that case there would not be sufficient capital to recapitalise Delta Lloyd Life and Delta Lloyd General within three months.

Mr **Van der Noordaa** added that one important conclusion was that Delta Lloyd would then simply lose the entire EUR 437 million.

In reply to Mr Stevense's other question, Mr **Van der Noordaa** said that Delta Lloyd had been through an unfortunate period trying to get to grips with a Solvency II framework that was still under development. There was also still great uncertainty about certain issues. About LAC DT, for instance, regarding which the entire sector had received extra suggestions and a Q&A from DNB in late December. Also, Delta Lloyd had changed over to the Standard Model and had reported on this for the first time. That had also been signed off by the external actuary. Faced with these uncertain factors, the EB and SB felt it was wise not to communicate 'incomplete news' to the outside world. If you did not yet know exactly what your Standard Model ratio would be or the impact of certain measures, you had better tread warily. Mr Van der Noordaa was well aware that it had all taken a long time. But the regulator happened to be strict. A lot went wrong in the Netherlands during the financial crisis. Clearly, banks and insurers needed to build buffers, but they also had to remain in dialogue with the regulator so as to find a realistic way forward. So there were hard laws, but there was also an area where there was room for interpretation, where you had to look for common ground. Delta Lloyd was no exception. That applied to the entire Dutch market.

Mr **Knol** wanted to know what Delta Lloyd was going to do with the EUR 650 million. He also wondered why Delta Lloyd needed two years to complete the Internal Model.

In reply to the last question, Ms **Mijer** said that the regulator needed at least six months to decide whether the model was good enough. Next, the model had to be fine-tuned to the company's business activities, products and portfolios, as well as be suitable for calculating the risk capital in the manner required by Solvency II. That would take about one year. In that period, you obviously also had the year-end closings, during which you tested whether the numbers were stable and accurate enough to use for external communication.

Mr **Abrahams** answered the question about what Delta Lloyd was planning to do with the money from the rights issue. Delta Lloyd currently had a high debt of EUR 2.2 billion and its liquid assets were too low to meet its current needs. So part of the proceeds would be used to strengthen the liquidity buffers. And another part would be used to repay debt. A decision would be made next year about repaying the long-term loans that currently cost 4.3% interest. The plans would be explained in more detail later in the year.

Mr **Wijnands** referred to the presentation of the half-year figures which revealed that Delta Lloyd had suffered a loss of EUR 500 million. Mr Van der Noordaa said that Delta Lloyd had actually achieved a very good operational result – EUR 500 million profit – but that the high interest rates on 30 June due to the situation in Greece had forced Delta Lloyd to set aside a provision of EUR 1 billion on its derivatives position.

Due to the interest rates, the value of the derivatives suddenly fell from EUR 2 billion to only EUR 1 billion.. If a sudden spike in interest rates had caused a loss of EUR 1 billion on derivatives, what was the picture for the coming years?

Mr **Abrahams** said that his comments about interest rates concerned the solvency position, not the IFRS shareholders' funds and that the Solvency II ratio imposed major constraints on the ongoing activities. The Solvency II formula was the main yardstick, because that was what the regulator judged you by. So that was an important factor for the dividend. In the future Delta Lloyd would look at how it could best deal with and align all the various yardsticks and make the company more stable for the future.

Mr **Bartelsma** asked for more space for answering Ms Te Winkel's questions on behalf of Highfields.

The **chairman** replied that the question about LAC DT had already been answered.

Mr **Tse** referred to the amount of EUR 1 billion as mentioned in the notes and asked whether this meant that Delta Lloyd was keeping an amount of EUR 350 million in reserve for a further rights issue. He also wanted to know the value of Van Lanschot in Delta Lloyd's books and whether any loss made on the sale relative to this value would be charged to the shareholders' funds or the income statement.

The **chairman** replied that the meeting was being requested to give permission for raising EUR 650 million, not EUR 1 billion.

Mr **Abrahams** explained that the reason for selling Van Lanschot was to improve the solvency. Van Lanschot was listed, so the value fluctuated. Delta Lloyd obviously wanted to get the right price as that was the best thing for the company's financial position.

Mr **Cook** also pointed out that the notes to the agenda mentioned an amount of EUR 1 billion instead of EUR 650 million. He referred to the explanation that Ms Mijer had given and asked when Delta Lloyd had first become aware of the negative impact of the European rules on the composition of its capital and how this was communicated to the shareholders at the time. He also mentioned the session at the Enterprise Chamber earlier that week. There were three counsellors at that session, who were lawyers, plus two additional counsellors who were economists. One of the two economists supporting the Enterprise Chamber had asked very detailed questions about the LAC DT. Mr Cook believed he recalled Ms Mijer saying by way of a clarification that EUR 450 million would be a minimum amount. This was supplemented with the additional comment that Delta Lloyd would like to have EUR 650 million at its disposal. His question was whether this representation of events was correct. Mr Cook also noted that the Enterprise Chamber had said in its decision that it was not up to the Enterprise Chamber to judge on the size of the amount; this decision was up to the shareholders' meeting.

Ms **Mijer** answered that EIOPA had published principle-based rules about how to calculate LAC DT. These were principles and not hard rules. The regulator of each country could interpret these rules on local grounds and issue additional guidance. DNB had not yet done that when Delta Lloyd first presented the LAC DT in Q3. For that reason, Delta Lloyd had at the time interpreted EIOPA's rules according to its own insights. The result was an amount of EUR 646 million. When this figure was published in the market, Delta Lloyd explained that this was its own interpretation and that talks about this issue were still ongoing with the regulator. The regulator had been requested to provide additional guidance. Uncertainties still exist regarding the 'local' regulator's interpretation of EIOPA's rules. On that same day of 30 November, Delta Lloyd also indicated what the impact would be on the solvency ratio for every EUR 100 million that that EUR 646 million was lower.

During the fourth quarter and specifically on 16 December the regulator issued a Q&A providing additional guidance on its interpretation of EIOPA's LAC DT rules. The new guidance required the regulated institutions to carry out several additional steps. As a consequence, Delta Lloyd had to redefine and recalculate the LAC DT, which resulted in the new total of EUR 524 million.

The LAC DT total of EUR 524 million for all entities under Delta Lloyd Group was calculated on the basis of the methodology and additional guidance from DNB. Delta Lloyd had demonstrated that EUR 437 million of this total amount contained genuine profits, but also cash flows from e.g. the release from the risk margin or required capital. The future profits – and this was possibly the cause of the confusion – were made up of different cash flow drivers, but that EUR 437 million could be specifically allocated to Delta Lloyd Life and Delta Lloyd General. However, without the capital raise, Delta Lloyd Life and Delta Lloyd General were currently unable to meet one of the conditions set in that additional Q&A. They needed an additional capital injection from the group for this, totalling EUR 450 million. That was the amount mentioned during the Enterprise Chamber session. This amount was needed to get Delta Lloyd Life and Delta Lloyd General back up to their 100% solvency ratio, the minimum capital requirement, within three months. This was also the amount which made Delta Lloyd dependent on the equity raise. Its success in raising this amount would determine whether that EUR 437 million – the amount made up of the future profits –

could or could not be included in the deduction from the Solvency capital requirement and could thus have a positive impact on the total solvency ratio.

On 16 December 2015 our regulator announced how it was going to interpret the EIOPA rules. From this date onwards, the additional guidance could more or less be taken from the DNB site. The company then had to analyse precisely what this entailed for its operations. At that time, Delta Lloyd was busy doing the year closing and analysing what impact DNB's interpretation of these rules would have on the figures. These figures were shared on the agreed date.

Mr **Vreeken** (WeConnectYou) mentioned the political influence on the insurance sector. Regulators were part of the political process and the insurers were struggling to get to grips with the solvency requirements in combination with the ECB's policy. This had consequences for the pensions. He would like to see all insurance companies joining forces to do something about this

Mr **Van der Noordaa** said these concerns were shared through the Association of Insurers. The role of the Association of Insurers was to put across the industry's collective position regarding the impact of the low interest rates as well as its wishes regarding the supervision. The Association of Insurers was in close consultation with DNB about the implementation of regulations. This was the best way to represent the industry's interests and also to communicate the impact of certain measures. Delta Lloyd was an active participant in the Association of Insurers.

Mr **Over** said that Delta Lloyd had raised about EUR 500 million via a bond issue about two years ago. And a further EUR 350 million was raised via a share issue last year. Mr Abrahams indicated that part of the EUR 650 million would be used to replenish the company's cash position. Mr Over said that when he replenished his own company's cash position, he had to do this from the operating profit. He wanted to know whether yet another rights issue would be put to the vote next year. His second question concerned the lead banks involved in the rights issue. They were also acting as guarantors and were shareholders too. He wanted to know if there was any friction between the bank's interests and those of the shareholders and asked how much and how the banks were being paid for their services.

Mr **Van der Noordaa** said there were no plans for a new rights issue next year. There were three lead banks. They were putting a lot of time, energy and underwriting capacity into the operation. The agreed fee was the outcome of good negotiations. The fee would take up a small part of the rights issue.

The **chairman** added that the fee was based on the going market rate.

Mr **Van Wassenberg** was not satisfied about how Delta Lloyd communicates. The CEO should be the connecting factor with the stakeholders, including the major shareholders. He said he was pleased about the agreement that was now in place with Fubon, but questioned the way the company was currently communicating with Highfields. Ms Te Winkel had said that she had submitted her questions in advance, but had received no answers. A major shareholder, in particular, deserved to be given more time and attention. He doubted whether the management team had the correct composition and whether the management was effectively supervised by the SB.

The **chairman** assured Mr Van Wassenberg that the SB kept a close eye on the performance of the members of the EB, including the CEO. There were regular talks about the EB's performance and these talks were evaluated.

Mr **Spanjer** asked whether trading in the shares was suspended when Delta Lloyd issued a press release.

The **chairman** indicated that Delta Lloyd adhered to the prevailing regulations.

Mr **Spanjer** referred to the assertion in the presentation that Fubon would get a position in the SB if it had a holding of 15% to 20%. He asked whether this was subject to a time limit.

The **chairman** replied that any supervisory board appointment would take place according to the customary rules applicable in the Netherlands. The statutory term of office was currently four years and in the case of Fubon the appointment would be subject to a holding of at least 15% and at most 20% in Delta Lloyd. It was up to Fubon to decide when they wanted to buy how many shares.

Mr **Meijer** referred to the list of solvency ratios of European insurers that Mr Van der Noordaa had shown in his presentation. Delta Lloyd was more or less at the bottom of the list last year. The share price had also slid dramatically to almost a third of its former value. He wanted some reflection on Delta Lloyd's extremely low ranking in that peer group last year. How had Delta Lloyd sunk as low as 130?

Mr **Van der Noordaa** said that this was partly due to the investment portfolio, how the investments had been made and the risk factors. It had to do with the model used under Solvency II, because that was basically where the calculation of the capital took place Under Solvency I the calculation was volume-related and you had much more risk on the books. But there had been a complete regulatory overhaul and the impact of the new regulations, as well as the adjustment of the valuation of certain investments, such as mortgages, was enormous. These were conservatively valued, not because Delta Lloyd wanted this, but because the auditor and regulator insisted on a more cautious approach. Delta Lloyd's portfolio at that time contained more risk, including certain sub-portfolios that had been sold in the meantime. Private equity, for instance, had a very high risk weighting under Solvency II. Commercial property had a higher risk weighting. Delta Lloyd had announced a further reduction of its exposure to equities, as well as of its currency risk which also had a high weighting. Mr Van der Noordaa noted that Delta Lloyd may have underestimated the impact of Solvency II. It really represented an enormous step, so the Internal Model not being ready at the time was an important factor, because it meant that Delta Lloyd had insufficient insight into where it really stood. That had really put the company on the spot and something had to be done. So Delta Lloyd initially switched back to the Standard Model, which was a prescribed model based on standard capital requirements Delta Lloyd had got an external agency to carry out an audit to make sure the figures were correct. Delta Lloyd was working on the Internal Model while simultaneously continuing to adjust the portfolio to reduce the impact of riskier investments. A chronic lack of capital also imposed constraints on a company's commercial potential. It meant making concessions and doing less well than you would have done if you had had more capital. The capital management structure really had to be realigned for Solvency II. Lots of steps had been made, but Delta Lloyd still had some way to go. Delta Lloyd needed the help of the shareholders for this. That was the story behind Delta Lloyd. Fortunately, Delta Lloyd was commercially strong and could continue creating value once it had been equipped with a good capital base.

Mr **Meijer** also wanted to know the costs of the rights issue. He said that the price for the ABN AMRO IPO was EUR 1 or 2 million.

Mr **Van der Noordaa** said that no statements would be made about this at present. But he did add that he had a hunch ABN AMRO had paid a bargain price.

Ms **Te Winkel** (Jones Day) wanted to pick up on the statement about the need for the capital issue and the calculation of the bandwidth and also briefly return to LAC DT. She also had questions about the capital generation capacity and she wanted to go into the relationship with the shareholders.

Ms Te Winkel referred to the calculation of the solvency ratio and the impact of the planned management actions. She thought it was odd that four years of work had already gone into the PIM, with no less than 20,000 pages being delivered in that time Now the shareholders were being requested to approve a rights issue of EUR

650 million. That was half of Delta Lloyd's current market value. The result would be dilution. Solvency II required companies to be able to withstand a shock that occurs once every 200 years. Were the shareholders expected to bleed now, while the company could have easily already reached the upper range of 140 – 160 if management actions had been taken sooner and had borne fruit? It was important for the shareholders to understand these numbers and to ask themselves whether they should do this, merely for a transitional period, whereas Solvency II required 100% and DNB could only intervene below that level. Delta Lloyd was currently at 131.

Regarding LAC DT, Ms Te Winkel referred to the annual report of ASR. This clearly explained that LAC DT consisted of four components and only the last of these depended on the future profits. In other words, it was only for the last component that you needed to demonstrate your future profit generation capability. Components 2 and 3 related to the backward-compensation, i.e. the previous year, and component 1 had to do with the net value of deferred tax assets, which was probably not big incidentally. ASR, in fact, had set this at nil. So component 1 was possibly not worth much, but 2 and 3 obviously did contain a certain value. ASR calculated that 58% of its LAC DT would be left. She wanted to know why Delta Lloyd's tax structure was so different that it was evidently left with only 0%. The EB of Delta Lloyd claimed that companies had to be able to restore their solvency to 100% within three months after a shock that was expected to occur once every 200 years. This was really not true, said Ms Te Winkel; the minimum capital requirement was around 45% and not around 100%. The point that Highfields wanted to make was that this was a difficult issue and that Delta Lloyd itself might not be entirely clear about the exact position, possibly also due to the regulator's constantly changing insights. But if this was the case, Delta Lloyd should put off the rights issue until it was certain that the shareholders needed to be asked to make this sacrifice. Highfields had always said that this was a healthy company that was not in trouble and therefore did not need to turn to such a last-resort measure. That was why Highfields had invested in Delta Lloyd.

The **chairman** said that Highfields considered EUR 0.5 billion still to be sufficient in December and had only changed its mind afterwards.

Regarding the capital generation capability, Ms **Te Winkel** (Jones Day) referred to Highfields' presentation which the shareholders could also view via a link on the website. The capital generation capacity was set at a low level; reduced from 400 to 200 – 250; which made the rights issue a lot more necessary. Highfields had made a bottom-up calculation of its own. It had calculated all the components and also indicated in its presentation where the question marks were on the basis of what the board presented in February.

On 30 November the effective tax rate on the excess spread was still assumed to be 10%, according to the information from Delta Lloyd. In February 2014 the board applied the full statutory tax rate of 27.9% to the excess spread. Application of the effective rate instead of the full statutory rate made a difference of EUR 25 million per year. This was certainly a point that caught one's attention. The same applied, for instance to the financing costs, i.e. the interest charges, where there was a difference of EUR 10 million between one year and the next. Another important point was that the excess spread had been set at an extremely low level. Based on the Bloomberg figures, it could be raised to 60 basis points.

Opmerking [A1]: Moeten we hier niet een opmerking bij plaatsen dat dit eigenlijk 2016 moet zijn?

Highfields had called Investor Relations of Delta Lloyd several times about this, but never received a satisfactory answer as to why this capital generation capacity had been reduced to such a low level. Ms Te Winkel asked Delta Lloyd to point out where the mistakes in Highfields' calculations were.

Mr **Abrahams** replied that the modest increase of 20% to 25% as a result of the management actions would produce some advantages but that at the same time Delta Lloyd would remain a lonely straggler lagging behind the peer group. Delta Lloyd expected favourable effects from the Internal Model, but there were also risks for the activities. Some of these had already been discussed here. He pointed to the interest rate used to calculate the liabilities, but there were also other issues. A responsible financial institution could not leave its fate hanging in the balance. Hence the plan consisting of both a rights issue and management actions. That, according to Mr Abrahams, was the proper way forward, as it safeguarded the activities for today whilst laying the foundations for the future.

Ms **Mijer** noted that the solvency ratio was 131% at year-end 2015. But regarding the LAC DT portion, this percentage depended on the equity raise. If the EUR 650 million was not raised, EUR 437 million would be at risk and would then have to be deducted. So the 131% was true, but it depended partly on the equity raise of EUR 650 million. An insurer obviously needed more than 100% solvency. You could not accept a situation where a single movement in the financial markets could push you into insolvency. It was absurd to think you were a viable company with 45% solvency. An insurer always needed to know that its solvency was above 100%. Ms Mijer had indicated earlier how the LAC DT should be justified. She was not talking about building the solvency back within three months to the SCR of today. Suppose that that 1-in-200 event had taken place. That was the scenario underlying the justification of the LAC DT. If that 1-in-200 had occurred and you had lost your entire SCR, you had to build that entire SCR up again. DNB's Q&A and additional guidance set specific time lines for this. One very big difference between Delta Lloyd and other insurers was that Delta Lloyd did not have much Tier 1 capital. Delta Lloyd had more Tier 2 and Tier 3 capital, as was demonstrated in the analyses of the Q4 figures. This meant that Delta Lloyd had a different capital structure. So what happened in such a 1-in-200 scenario and you lost your SCR? You could only build this up again with Tier 1 capital, because your subordinated loans were absolutely worthless in such a situation. So Delta Lloyd badly needed Tier 1 capital, as it didn't have enough of this at the moment. Delta Lloyd was different from other insurers in this respect.

Mr **Abrahams** indicated that the company had reported several years ago that the capital generation was at a level of around EUR 400 million per year. A lot had changed in the past year, which was why Delta Lloyd now thought that the number of EUR 250 million was a fair estimate. There had also been a decrease in risks and an increase in debt. The solvency system had changed from I to the much more prudent II. This entirely explained the decrease from about EUR 400 million to the currently estimated EUR 250 million. A lot of detailed work had gone into the capital generation, making use of the company's internal information as well as advice from one of the four large accountancy firms. The main difference between Delta Lloyd's standpoint and that of Highfields was that Delta Lloyd assumed a balance between costs, income and risks. Delta Lloyd believed that its calculations were based on balanced assumptions and figures. The questions that came from Highfields after the press release and the presentation often stemmed from Highfields' use of arbitrary numbers and calculations. Delta Lloyd also pointed this out. It was the EB's task to ensure that Delta Lloyd's activities generated capital and that this improved over time. The EB was highly committed to this objective.

Ms **Te Winkel** (Jones Day) asked Mr Van der Noordaa to return to the slide with the peer comparison. According to Ms Te Winkel, you could see that insurers with an Internal Model were high in the chart. She saw an important explanation there.

Mr **Van der Noordaa** explained that this was not correct; it was important to look at the nature of the insurance company, for instance whether it was more non-life than life.

Ms **Te Winkel** (Jones Day) noted that the PIM yielded an uplift of 10 to 15 basis points. During the Enterprise Chamber session, Delta Lloyd explained that you could not compare the peers with each other. How could Delta Lloyd argue so vigorously that a peer comparison was not valid, and yet try to persuade the shareholders today by referring to those same peers, and did that while still not taking into account that the Partial Internal Model in itself already led to a substantial increase. She also asked whether Delta Lloyd thought that the German peers were all high in the range and that the German insurers would be able to absorb a shock resulting from a reduction of the UFR.

Mr **Van der Noordaa** answered that the chart only showed where Delta Lloyd stood relative to the competitors. The numerical justification for Delta Lloyd based on its own analysis was shown on the right-hand side of the picture. Every insurer was different. It was not a case of one size fits all. Your Internal Model was customised to your own profile. No single model applied to everyone. The peer comparison was not used as an argument. He added that the best place to ask questions about German insurers was at the shareholders' meeting of the German insurers.

Mr **Keyner (VEB)** observed that many shareholders, not just Highfields, but a large number of people here in the room were somewhat confused. For years on end, Niek Hoek and his management team had gone on about how well Delta Lloyd was doing and how solid Delta Lloyd was. The message now, with a new management team in charge, was that a lot of hard work was necessary to create a sufficiently solid company that could make a serious attempt at building a profitable future. That was an entirely different story. Was the previous management misleading or incompetent, or was the current management a bunch of risk-averse weaklings who were doing everything they could to massage away all risks. Mr Keyner indicated that not everything Highfields was saying was nonsense. The VEB's provisional analysis was that they were mainly focusing on the positives. The solvency could be increased much more quickly than would appear on paper. But there were risks too. You could also argue that Delta Lloyd was counting its chickens before they hatch, such as by discounting the long-term liabilities at an artificially high interest rate. That was merely a paper profit. There were just as many arguments for claiming that 131% was not too pessimistic, but actually far too optimistic. You had to find a middle way between the two extremes. Highfields might be right on certain individual points.

Mr Keyner said that the board would have to be mad to ask shareholders to approve such an enormously dilutive rights issue if it weren't absolutely necessary. It was not a step you wanted to make, but might make if DNB persuaded or forced you to do so. DNB had clearly hinted that EUR 200 million wouldn't be enough and that if Delta Lloyd failed to do more, DNB would impose measures that would not only restrict Delta Lloyd's room for manoeuvre, but would also cloud its chances of looking forward to a sunny future as an entrepreneurial business. You didn't want DNB taking full control. That was the analysis he gave on behalf of the VEB.

Mr Keyner wanted Mr Abrahams to explain what a rights issue was and whether there would be significant dilution. He wanted a rough idea of the discount that would be offered. He also wanted an indication of the most recent solvency ratio under Solvency II, for instance at the end of February this year.

Mr **Van der Noordaa** replied that Delta Lloyd was still a splendid company, but that the world had changed dramatically. Solvency II had had a very big impact on Delta Lloyd, particularly because of its investment portfolio and the associated risk profile. A lot had been done to improve this, but unfortunately a further step needed to be made with the shareholder's aid to restore the solvency to an adequate level. It was not in the company's interest to raise too much capital, but additional capital was necessary to enable the management to get the most out of the company for the shareholders' benefit.

Regarding the dilutive effect, Mr **Abrahams** said that Delta Lloyd would try to reach an appropriate arrangement with the banks. He would be happy to discuss the VEB's concerns with Mr Keyner in order to understand them better. He said that, if the shareholders approve the rights issue, he would be strongly focused on getting the discount of the underwriting banks at the right level in the interests of Delta Lloyd's shareholders.

Replying to the question about the standard solvency formula, Ms **Mijer** said that the annual figures were announced on 24 February 2016. Clearly, Delta Lloyd constantly monitored the effects of financial market movements on its portfolio. There was no reason to assume that the portfolio value would be different now than indicated on 24 February, 'no worse than modestly lower'. There would of course be a full disclosure for Q1.

Mr **Van Leeuwen** was of the opinion that DNB was controlling the executive board and supervisory board. He wanted to know the price for which Mr Abrahams would be getting his shares. He also proposed adding Ms Te Winkel to the SB. Finally, he proposed a motion of no confidence to the CEO and the chairman of the SB.

The **chairman** said that was not on the table. Regarding Mr Abrahams' income, he said this had already been discussed with the relevant agenda item.

Ms **Te Winkel** (Jones Day) returned to the capital generation capacity. Mr Abrahams had made it appear as if the figure was EUR 400 million several years ago, but it was her understanding that the estimate of EUR 400 million was made as recently as last November. She also wanted to know to what extent Fubon would receive preferential treatment over other shareholders. The press release seemed to suggest that Fubon would act as sub-underwriter of the rights issue. Did this mean that Fubon would also receive the underwriter's fee? Would Fubon be offered the shares from the rights issue at a big discount? Was it true that Fubon's votes represented the swing vote, so that the rights issue would not have gone ahead without Fubon's yes vote?

Speaking on behalf of the lead banks, Mr **Richard Cormack** said the banks would consider Fubon's request to act as underwriter. It was not all that unusual for such a large strategic player to take part in a transaction of this nature.

As Delta Lloyd's advisor, Mr **Burggraaf** (Allen & Overy) said that Fubon was getting no more or less than the rest of the shareholders. The banks that had been enlisted would underwrite the issue. The banks could decide whether to involve another party or not. They must divide the commission agreed with the company among themselves. That is not up to Delta Lloyd, but a decision for the banks to make.

Mr **Cook** asked who made more profit: the insurers with a higher capital per euro of equity or those with a lower capital per euro of equity? He also returned to his question about the amount of EUR 650 million versus the EUR 1 billion mentioned in the notes.

The **chairman** replied that the convocation with the notes to the agenda had been sent out in early February 2016 and that Delta Lloyd had announced its intention to request approval for an amount of EUR 650 million on 24 February 2016. At the beginning of February, Delta Lloyd was still busy calculating the annual figures and finding out what the outcomes of several uncertain factors would be. The rights issue was for an amount of EUR 650 million and no more than that.

Mr **Abrahams** said that many different drivers determined a company's return on equity. A company with the same franchise and activities mix could conceivably generate a higher return on less equity, but this would imply a higher risk. You do not create value by having an exceptionally low capital position. Whether it's the equity market or the regulator, both would exact a heavy price on an undercapitalised company. Delta Lloyd might be exposed to these costs if it were on the low side.

Mr **Cook** asked whether it was fair to say that Delta Lloyd's capital structure was more vulnerable than had been suggested in previous years and was therefore more sensitive to losses such as those sustained now.

The **chairman** observed that the world had changed and that it was very difficult to speculate about this. Meanwhile, the world had moved on to Solvency II, with very different demands.

Mr **Keyner** (VEB) wanted Delta Lloyd to indicate whether Fubon had been given any goodies.

The **chairman** confirmed that Fubon had not been given any goodies.

Mr **Van der Kooi** proposed to the shareholders to vote against the rights issue. He also requested a new EGM in three months' time where the shareholders would be given three choices: a wait and see policy, or the EUR 650 million rights issue as currently proposed, or EUR 400 million and no dividend guarantee for two years.

The **chairman** thanked Mr Van der Kooi for his proposal. Whether this suggestion would be adopted will depend on the outcome of the vote.

Mr **Slotboom** noted his surprise at Delta Lloyd asking for EUR 650 million while there were evidently still so many uncertainties.

Mr **Van der Noordaa** indicated that there were many more uncertainties last year and that some matters had become clearer at the end of last year. The LAC DT had been discussed at length. This had an enormous impact on Delta Lloyd's capital base. Solvency II started on 1 January 2016 and there were still movements in the interpretation of the rules. This had to be taken into account. An evaluation of Solvency II would take place in the coming years, possibly leading to more new regulations. Everything was still very fresh. That was the reality. The important themes for Delta Lloyd had now been addressed. The calculation was based on the current insights, laws and regulations and interpretations that had been obtained. The calculation had been audited by the external actuary. He checked to see whether Delta Lloyd had interpreted the rules correctly. Delta Lloyd's capital base was too low and the company was therefore vulnerable and too exposed to equity risks. The debts were relatively large and it would be irresponsible not to intervene now.

Mr **Slotboom** found it self-contradictory to ask the shareholders to decide about the issue whereas there were still so many uncertainties.

The **chairman** observed that the issue under discussion was clear and that future regulatory developments had to be awaited, but that any relaxation of the regulations was unlikely.

Mr **In 't Hout** noted that a successful entrepreneur had a plan whereas an unsuccessful entrepreneur had a justification. He was curious to know what story the management of Delta Lloyd was going to come up with next to justify what it was going to do with his money.

The **chairman** answered that Delta Lloyd had a plan that had been explained by Mr Van der Noordaa and intended to implement that plan.

Mr **Swinkels** returned to his questions about dividend. In addition, he wanted to know why the issue period had been set at two to three weeks. He was also worried about the setting of the issue price.

The **chairman** replied that Delta Lloyd would ensure that the discount on the issue price would be as low as possible. Regarding the dividend, he said that in the current structure every shareholder was entitled to dividend.

Mr **Stevense** (SRB) asked whether he could confirm that Delta Lloyd had sailed too close to the wind in the past.

The **chairman** agreed that you risked falling behind if you sailed too close to the wind. After a certain point, the closer you got to the wind, the slower you went. That unfortunately was the reality of sailing.

Noting that there were no further questions or comments, the **chairman** proceeded to the vote. Based on Delta Lloyd's Articles of Association and Dutch law, the General Meeting of Shareholders is authorised to designate the EB as the body authorised to decide to issue ordinary shares and to grant subscription rights to ordinary shares for an amount of EUR 650 million pursuant to the conditions described under agenda item 3.b, such as that the additional authorisation to issue shares is requested for a six-month period, ending on 16 September 2016. This agenda item was inextricably linked with agenda items 3.c and 3.d which would also be put to the vote shortly. This meant that these resolutions would only enter into force after a positive decision had been made on all three agenda items. If one of the resolutions was not adopted, the other resolutions would not become effective either.

The chairman noted that 430 shareholders were registered for or represented at this meeting. In total, they represented 104,083,303 ordinary shares and 10,021,495 preference shares, being about 48.03% of the issued capital.

The civil-law notary **Leemrijse** (Allen & Overy) explained the voting procedure to the shareholders.

III.b Proposal to authorise the Executive Board (voting item)

A vote was held on agenda item 3.b, the designation of the EB as the body authorised to decide to issue ordinary shares and to grant subscription rights to ordinary shares in connection with the issue.

Civil-law notary **Leemrijse** (Allen & Overy) announced that there were 87,438,527 votes in favour of the proposal, 25,192,483 votes against and 1,007,425 abstentions, so that 77.63% of the shares had voted in favour.

The **chairman** concluded that the meeting had adopted the proposal to designate the EB as the body authorised to decide to issue ordinary shares and to grant subscription rights to ordinary shares in connection with the issue in accordance with the proposal. This resolution would only take effect if the other two resolutions were also adopted.

III.b Proposal to grant the Executive Board additional powers in relation to pre-emptive rights (voting item)

The second resolution concerned the designation of the EB as the body authorised to decide to restrict or exclude the statutory pre-emptive rights in relation to the issuance of ordinary shares and/or the granting of subscription rights to ordinary shares in connection with the issue. Based on Delta Lloyd's Articles of Association and Dutch law, the General Meeting of Shareholders is authorised to designate the EB as the body authorised to decide to restrict and exclude the statutory pre-emptive rights in relation to the issuance of ordinary shares and/or the granting of subscription rights to ordinary shares in connection with the issue, on the grounds of the conditions described under agenda item 3.c, such as that the additional powers in relation to pre-emptive rights are requested for a six-month period, ending on 16 September 2016. A two-thirds majority of the votes cast was required to pass this resolution. Blank votes or abstentions would not count as votes cast.

After the vote, the civil-law notary **Leemrijse** (Allen & Overy) indicated that there were 87,378,251 votes in favour of the proposal, 25,233,612 against, and 1,029,890 abstentions, so that 77.59% was in favour.

The **chairman** noted that the shareholders' meeting had voted in favour of the proposal with a majority of more than two thirds of the votes cast. He concluded that the meeting had adopted the resolution to designate the EB as the body authorised to decide to restrict or exclude the statutory pre-emptive rights in relation to the issuance of ordinary shares and/or the granting of subscription rights to ordinary shares in connection with the issue in accordance with the proposal. This resolution would only take effect if the next resolution was also adopted.

III.d Proposal for amendment of the Articles of Association (voting item)

Pursuant to Dutch law, the authorised capital or the maximum amount for which Delta Lloyd is allowed to issue shares on the grounds of Delta Lloyd's Articles of Association is limited to a maximum of five times the issued capital. In view of the expected proceeds from the rights issue and in order to retain sufficient room in the authorised capital for the possible future issuance of shares after the rights issue, the SB requested the shareholders to approve an amendment of the Articles of Association providing for an increase in the authorised capital. As explained in the note to the amendment of the Articles of Association, the exact amount of the authorised capital would only be known shortly before the rights issue. The formula for calculating the authorised capital was already known. This was described in the notes.

After the vote, the civil-law notary **Leemrijse** (Allen & Overy) indicated that there were 87,506,114 votes in favour of the proposal, 25,099,562 against, and 1,036,892 abstentions, so that 77.71% was in favour.

The **chairman** concluded that the meeting had adopted the amendment to the Articles of Association. This amendment to the Articles of Association would only become effective once the ordinary shares in the capital of Delta Lloyd were issued, i.e. after the rights issue had taken place.

Speaking on behalf of the SB and the EB, the chairman thanked the shareholders for the support given for the rights issue. The management would not treat this trust light-heartedly and was fully committed to taking additional management actions as well as to improving the capital generation capability and increasing the dividend if feasible.

Delta Lloyd would issue a prospectus for the rights issue within a few days. Holders of ordinary Delta Lloyd shares would receive rights on a pre-determined date. These rights entitled the holder to acquire new ordinary shares in Delta Lloyd in connection with the rights issue, provided that these holders were entitled persons as described in the prospectus for the rights issue. The prospectus also described the price and discount at which the rights could be allocated. The shareholders could buy or sell the rights during the trading period by instructing their bank or intermediary accordingly.

IV. Notification of proposed change in dividend policy (discussion item)

The **chairman** explained that Delta Lloyd had decided to adjust its dividend policy in response to the entry into force of Solvency II on 1 January 2016. Delta Lloyd aimed to pay out a stable annual dividend, subject to internal solvency targets.

At the proposal of the EB and with the approval of the SB, the dividend on ordinary shares could be paid in shares or cash at the shareholder's option, which meant that Delta Lloyd had abandoned the scrip dividend. The company would neutralise the dilutive effect of the stock dividend on the earnings per ordinary share through the repurchase of ordinary shares. The company could adjust the attractiveness of the cash dividend versus the stock dividend, i.e. dividend in shares, and the value of the stock dividend would be charged to the share premium reserve for ordinary shares. The company's standard policy was to pay out an interim dividend and a final dividend. Delta Lloyd would notify the shareholders of any deviation from this policy.

Mr **Van Riet** asked whether Delta Lloyd earned enough to pay out EUR 130 million. He asked about the profit in the previous year.

The **chairman** observed that Delta Lloyd was aiming to pay out a dividend of EUR 130 million for next year. Delta Lloyd would do its utmost to generate as much capital as possible this year. Any dividend would then be subject to the parameters that he had indicated for the dividend policy and payment.

V. Any other business and close of meeting

Mr **Spanjer** asked how many preference shares A would be purchased and how many preference shares B.

The **chairman** said that no new preference shares B and no new preference shares A were being issued.

Mr **Spanjer** also wanted to know how many proxy votes had been cast.

The civil-law notary **Leemrijse** (Allen & Overy) answered that they had received voting instructions for a total of 95,801,563 shares.

Mr **Van Riet** asked for an undertaking that Fubon would only supply a member of the Supervisory Board if the shareholders' meeting approved this. He also wanted to know whether Delta Lloyd had been approached for a takeover of the company.

The **chairman** said that the normal appointment procedure applicable to all members of the Supervisory board would of course also apply to the Fubon SB member. No exceptions would be made to this rule. Regarding the question about a takeover, he replied that both the EB and the SB were of the opinion that Delta Lloyd should secure the healthiest possible stand-alone position. If there was any question of a takeover, Delta Lloyd would disclose this in conformity with the statutory regulations.

Noting that there were no further questions, the **chairman** thanked everyone for his or her attendance and contribution and closed the meeting at 6.20 pm.