

# Well positioned for profitable growth and future capital regimes

Investor Day Delta Lloyd – 21 November 2014



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# Today's agenda

9:15 – 10:15

- Introduction
- Strategy execution
- Finance update
- Q&A

Niek Hoek  
Niek Hoek  
Emiel Roozen

10:30 – 11:30

- Risk management
- Return management
- Q&A

Theo Berg  
Jacco Maters

11:45 – 12:45

- Commercial strategy
- Life & Pensions the Netherlands
- Life & Pensions Belgium
- General insurance
- Q&A

Ingrid de Graaf  
Léon van Riet  
Jan van Autreve  
Onno Verstegen

12:45 – 13:00

- Wrap up & Closing remarks

Niek Hoek

## 1. Strategy & Finance

### Strategy execution

*Continued focus on profitable and organic growth*



**Niek Hoek – Chief Executive Officer**

**delta lloyd**

# What we will deliver today

## Strategy & Finance

**Niek Hoek** – Profitable and organic growth

**Emiel Roozen** – Operational result

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## Risk & Return management

**Theo Berg** – Capital ratios underpin strength

**Jacco Maters** – Evolving portfolio

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## Sustainable profitability

**Ingrid de Graaf** – Growing marketshare

**Léon van Riet** – Profitability accelerated by service and lower costs

**Jan van Autreve** – Profitable growth opportunities in Belgium

**Onno Verstegen** – Attractive GI business

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## Wrap up

**Niek Hoek** – Firing on all cylinders

# Consistent performance on 'Future secured' strategy

## Certainty

- Well capitalised
  - *shareholders' funds at € 2.7bn; € 3.3bn on traditional accounting*
  - *liabilities per end October discounted at 1.12%<sup>1</sup> (IFRS) or 0.97% (IGD)<sup>1</sup>*
  - *economic capital ratio (Internal Model) in mid-range of appetite level*
- Successful issue of PerpNC10 (€ 750m, coupon at 4.375%)
- Longevity risk mitigated through six year longevity swap, relating to underlying longevity reserves of approximately € 12 billion
- Aim to reduce 4% premium on stock dividend to 2% at final 2014 dividend

## Distribution

- New business market leader
  - *NAPI at € 324m, annual premiums up 25%*
  - *new business market share of 59.1% in Dutch annual premiums Group Life*
  - *new business GI up 8% in declining market*
- New business profitability continued to improve
  - *IRR at 11%, NBM at 3.1%*
  - *COR at 95.8%*
- Strong position in PPI market further enhanced by full ownership of BeFrank

1. 10-year point of Collateralised AAA curve (IFRS); 10-year point of ECB AAA curve (IGD)  
Note: all figures throughout entire presentation are per Q3 2014, unless stated otherwise

# Consistent performance on 'Future secured' strategy

## Simplicity

- Successful cost saving programme continues to deliver
  - *operational cost base per H1 2014 at € 369m, ahead of target*
- Focus on organic growth

## Expertise

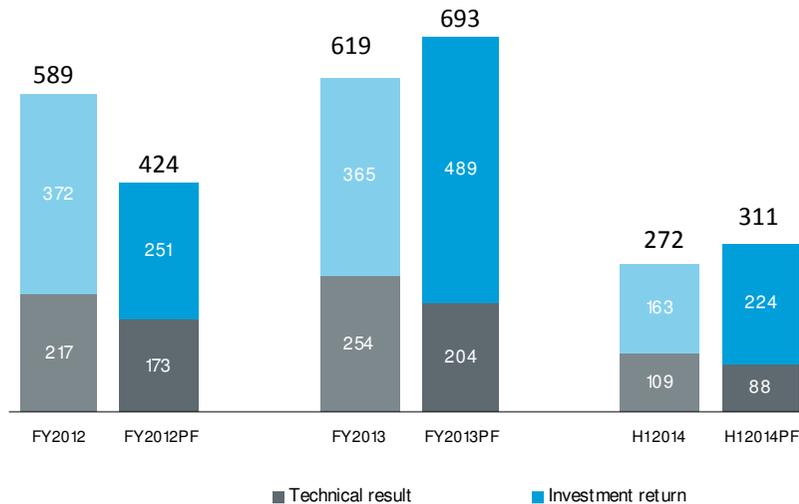
- Prudent risk and return management
  - *performance on own risk assets 12.6%*
- Healthy capital generation despite low interest rate environment
  - *direct yield comfortably exceeds unwind of liabilities*

## Honourable, approachable, working together

- Leading the market in customer satisfaction
  - *nr 1 position in IFA satisfaction for pensions sustained (7.4)*
  - *continued improvement of customer satisfaction scores (7.8)*
  - *ranking above market average in AFM's customer centricity dashboard (3.6)*
  - *customer-focused insurance quality label retained for all labels*
- Included in DJSI Europe and World indices

# New operational result definition brings greater transparency

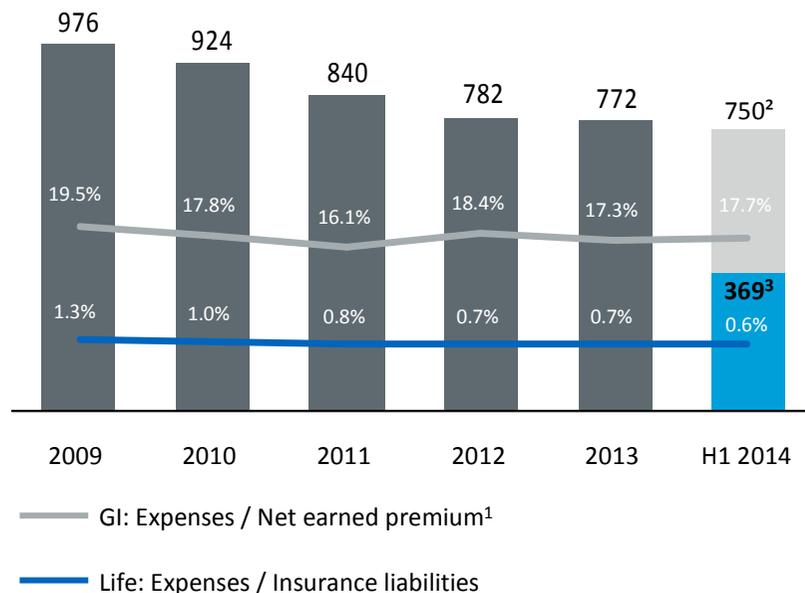
## Gross operational result (€m)



- LTIR based on Collateralised AAA curve understates investment return — *asset returns based on interest rate at end of year not fit for current volatile environment*
- New operational result based on investment spread (direct asset returns minus actual cost of liabilities)
- Initialised as from 1-1-2015

# Successful cost-saving programme continues to deliver

## Management cost base (€m)

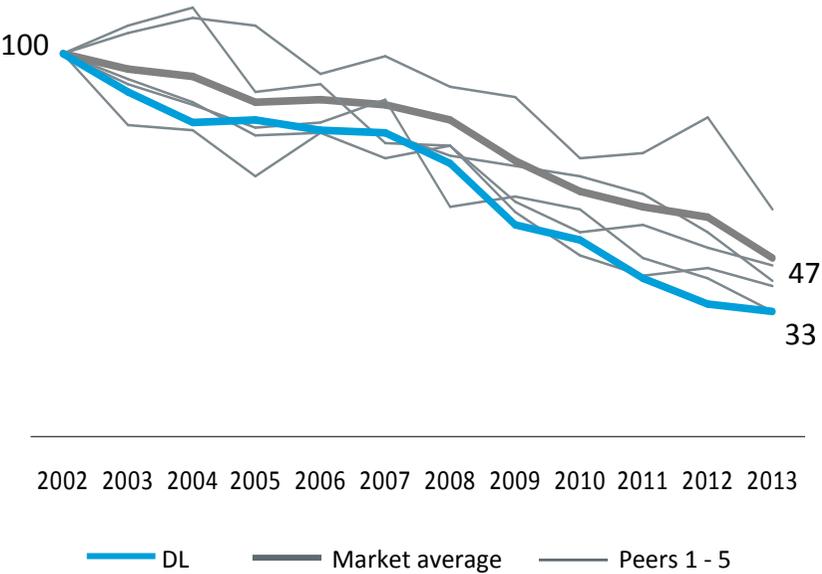


- 3% decrease of operational expenses to € 369m, ahead of target
- Sustainable operational strategy drives cost reduction and performance
- Cost reduction along four lines:
  - *legacy reduction*
  - *Straight Through Processing*
  - *digitalisation*
  - *online servicing*

1. Before transfer of acquisition expenses and claim handling expenses, hence not equal to expense ratio  
 2. Including ZA Insurance (€ 20m per year)  
 3. As per H1 2014

# Best in class cost reduction

Cost ratio development 2002-2013<sup>1,2</sup>

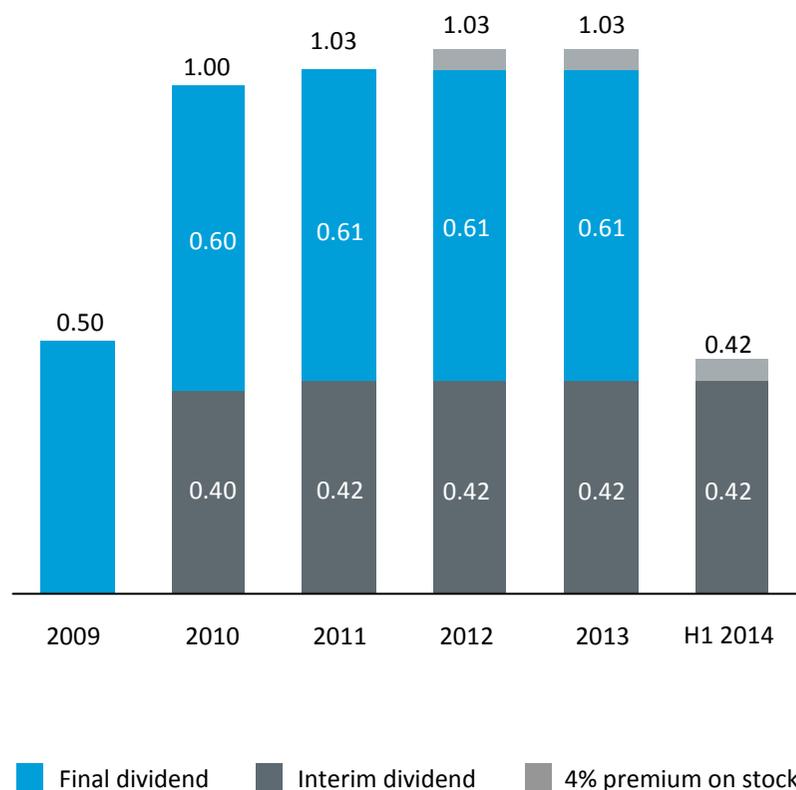


- Cost ratio reduced with 67% between 2002 and 2013  
 — *market average cost ratio reduction of 47%*
- Cost ratio per H1 2014 at 0.6%

1. Operational expenses / total life provisions. 2002 = 100  
 2. Source: company intelligence, DNB

# Stable dividend, aim to reduce premium on scrip

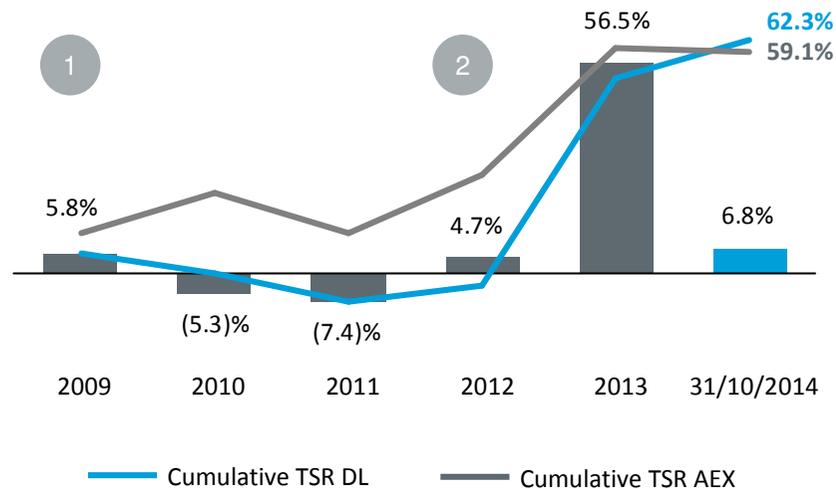
## Dividend pay out per ordinary share (€)



- Dividend policy adapted to upcoming changes
  - *transition to Solvency II*
  - *new operational result definition*
- Dividend policy simplified
  - *stable annual dividend*
  - *subject to internal solvency targets*
- Aim to reduce 4% premium on stock to 2% at final 2014 dividend
  - *next step to remove 2% premium on stock dividend, subject to availability of excess cash that is not needed to finance growth*
- Dividend amply covered by capital upstream from subsidiaries

# TSR outperforms AEX index in first 5 years since IPO

## Total Shareholder Return since IPO<sup>1</sup>



- TSR since IPO 62.3%
  - price at IPO (3 Nov 2009): € 16.00
  - price at 31 Oct 2014: € 18.18
  - € 5.01 cumulative dividend payments reinvested
  - average TSR of 12.5% per year
- TSR of AEX 59.1%
  - average TSR of 11.8% per year

1 3 November 2009: IPO

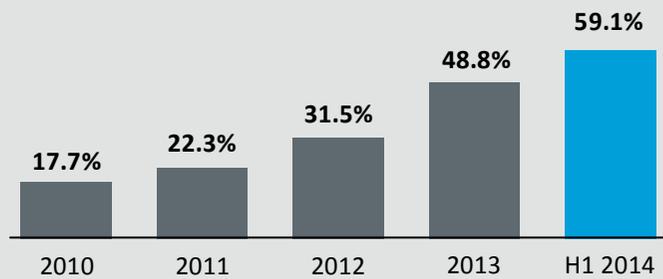
2 8 January 2013: Aviva's remaining stake in Delta Lloyd fully divested, free float increased to ~100%

1. Source: Bloomberg

# Firing on all cylinders

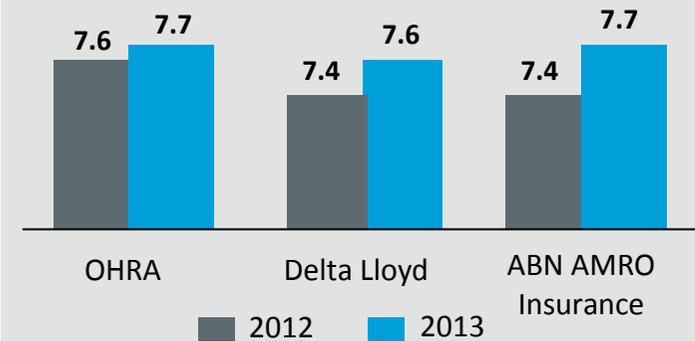
## New business market leader

Group Life annual premium new business market share



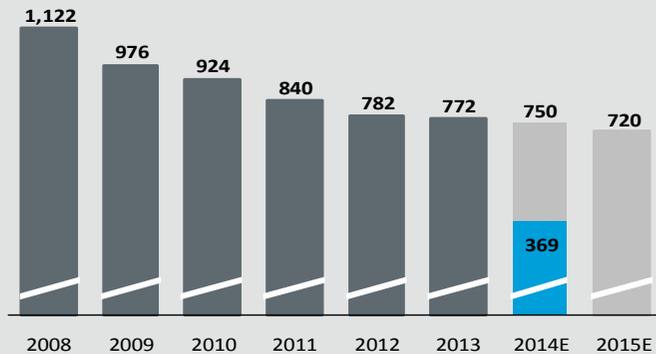
## Increasing customer satisfaction

Customer satisfaction score



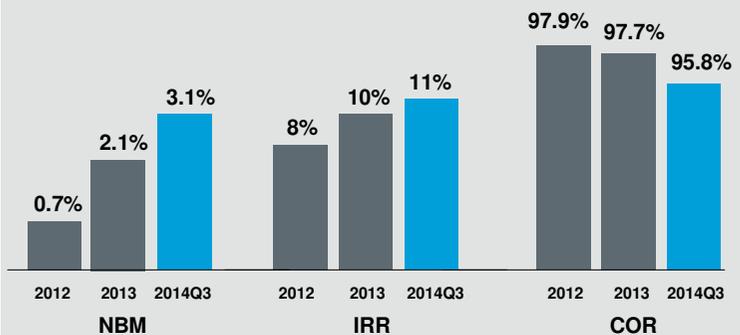
## Greater cost efficiency (€m)

Management cost base



## Strong increase in profitability

Development NBM, IRR, COR



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# Continued focus on profitable and organic growth

**Dutch market leader in new business and customer performance**

**Economic capital in mid-range of appetite level**

**Using real asset returns in operational result better reflection of reality**

**Stable dividend, aim to reduce premium on scrip dividend**

## 1. Strategy & Finance

### Finance update

*Bringing greater transparency to operational result*



**Emiel Roozen – Chief Financial Officer**

# Investment spread to replace LTIR in operational result

## Operational result simplified

- Operational result simplified by using investment spread: direct yield on own risk asset portfolio minus cost of liabilities
  - *components derived from IFRS P&L and balance sheet*

## Benefits

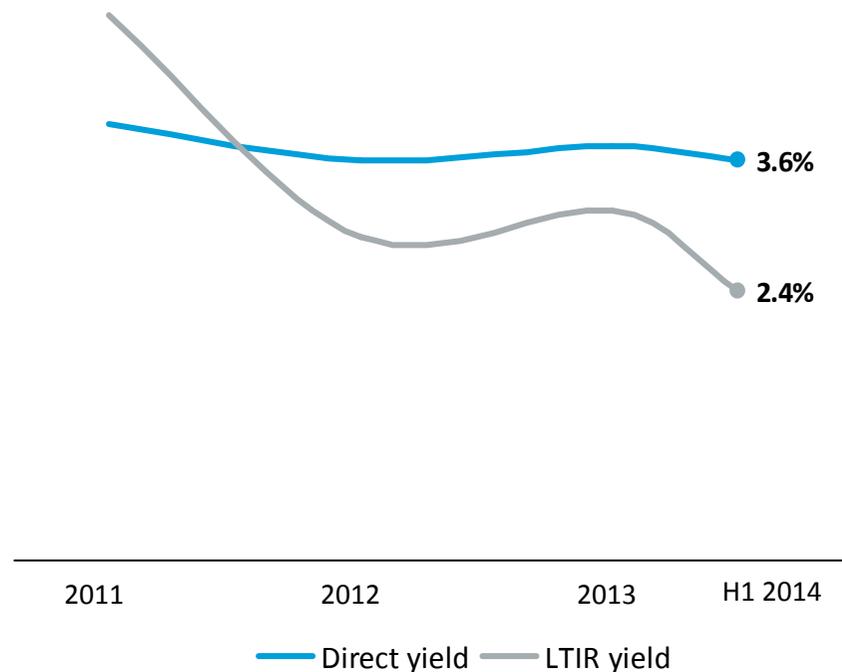
- LTIR yield understates actual 'locked-in' direct yield of stable long duration own risk asset portfolio
- Investment spread
  - *better reflects real operational performance*
  - *better reconciles to IFRS balance sheet and capital generation*
  - *brings more transparency*

## Future reporting

- This change in management accounting (not IFRS accounting) will be initiated from financial year 2015
  - *comparable figures will be provided for FY 2014 results*
  - *in segmental reporting a reconciliation from IFRS P&L will be provided*

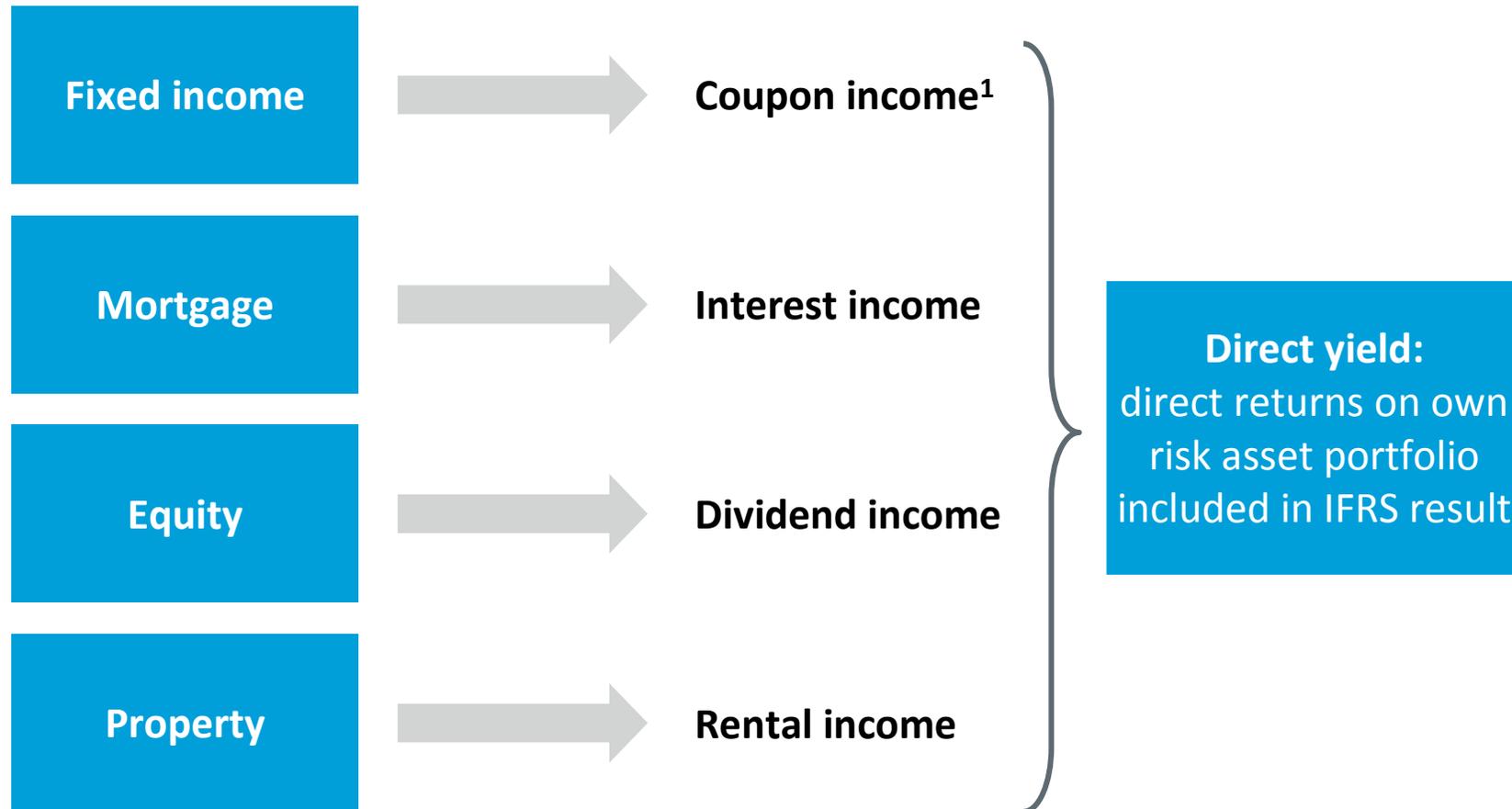
# LTIR yield understates actual 'locked-in' asset returns

## Direct yield versus LTIR yield



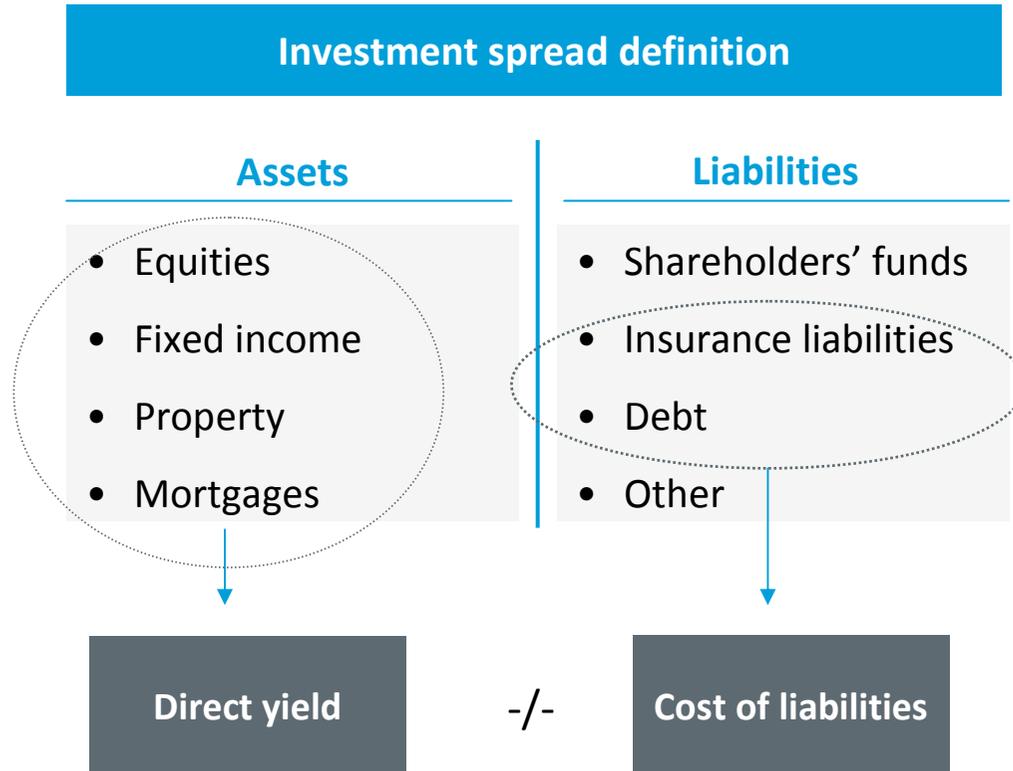
- Direct yield relatively consistent over the years despite economic crises, reflecting long-term nature of business
- Short-term interest rate fluctuations not immediately captured in direct yield on asset portfolio
- Long-term interest rate changes are captured in the direct yield upon reinvestment

# Direct yield shows direct returns realised on own risk assets



1. Based on effective interest method. Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability (i.e. from the moment of acquisition)

# Cost of liabilities based on required interest and finance costs



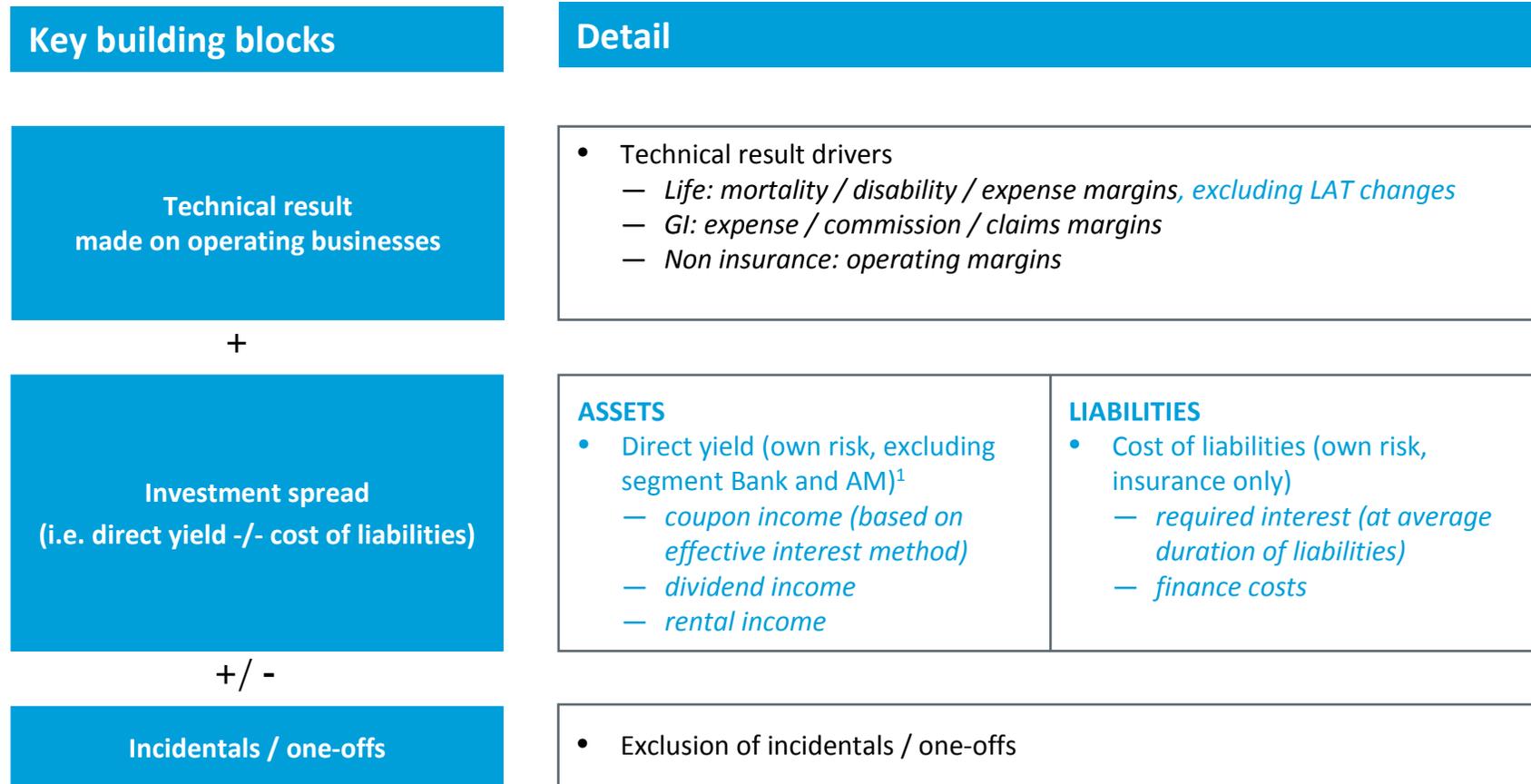
- Delta Lloyd uses market values for assets and liabilities
  - *liability valuation based on Collateralised AAA curve*
- Investment spread realised if direct yield exceeds cost of liabilities
  - *cost of liabilities includes interest needed for insurance liabilities and finance costs*
- Finance costs understated in LTIR concept

# Direct yield exceeds cost of liabilities

Breakdown Investment spread			
(€ m)	H1 2014		
Coupon income fixed income			502
Interest income mortgages			133
Dividend income			63
Rental income			59
<b>Direct yield</b>	<b>Q1 sec.</b>	<b>Q2 sec.</b>	<b>757</b>
<b>Insurance liabilities own risk</b>			
Opening balance of quarter	(33,547)	(34,737)	
<b>Coll. AAA curve (13y-point)</b>			
Opening balance of quarter	2.85%	2.46%	
<b>Required interest segment Life</b>			(452)
<b>Required interest Income and Protection</b>			(9)
<b>Finance costs</b>			(72)
<b>Cost of liabilities</b>			(533)
<b>Investment spread</b>			<b>224</b>

- Calculation method required interest of segment Life:
  - *required interest determined per quarter*
  - *opening balance of quarter multiplied with Coll. AAA curve at beginning of quarter (13Y-point)*
- Reinvestments will impact direct yield going forward

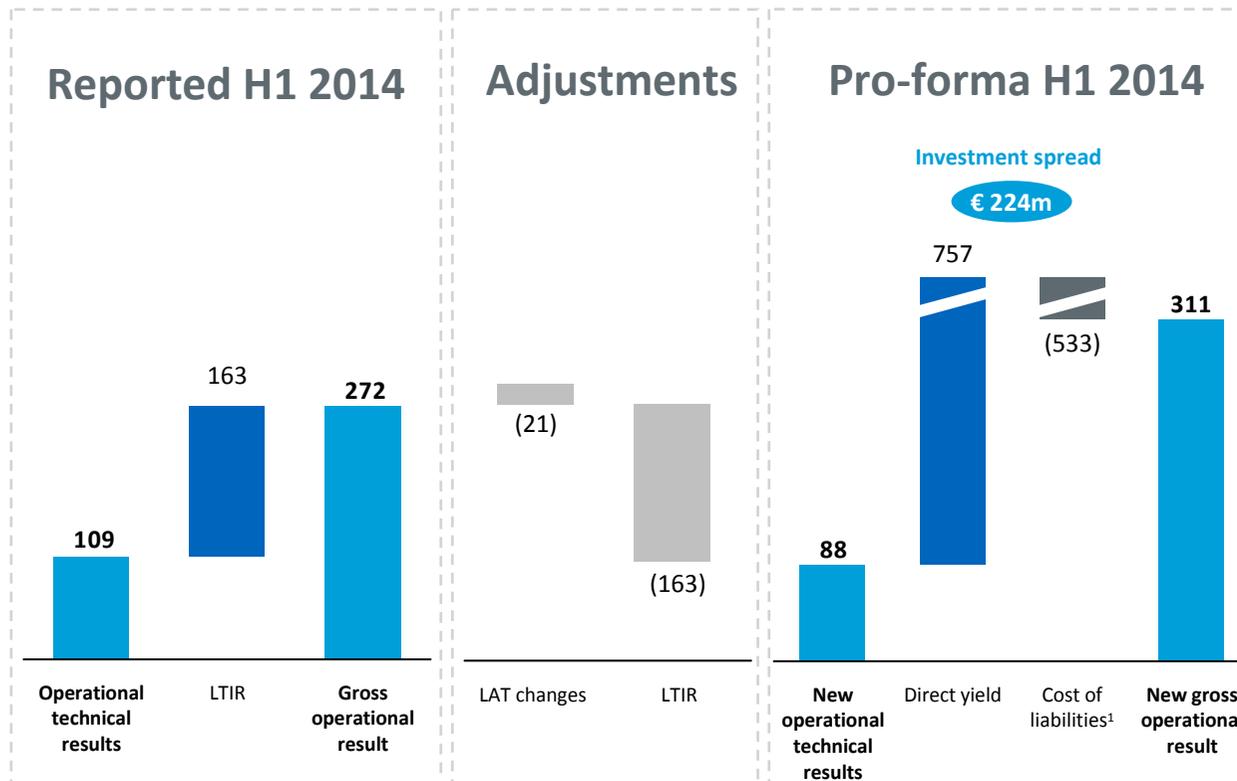
# New operational result measure going forward



1. Direct yield of segment Bank and AM is included in the respective operational technical results

# H1 2014 reported vs pro-forma new operational result

Pro-forma new gross operational result for H1 2014 at € 311m (€m)

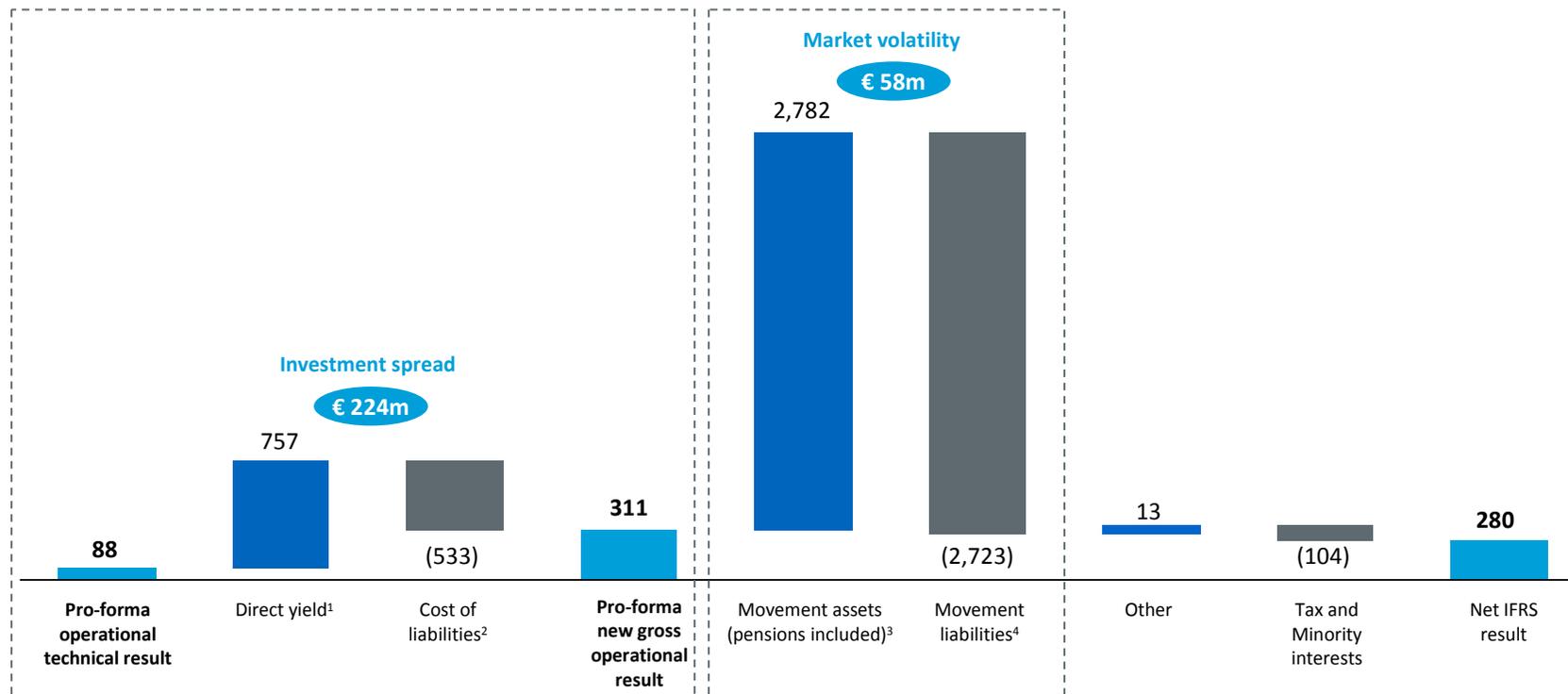


- LAT changes in 2014 relate to future impact of current expense reductions in Belgium
- LTIR replaced by investment spread

1. Cost of liabilities includes required interest of Life reserves and GI reserves and finance costs (excl. € 32m penalty fee for prepayment of GI loan)

# From new operational result to IFRS capital generation

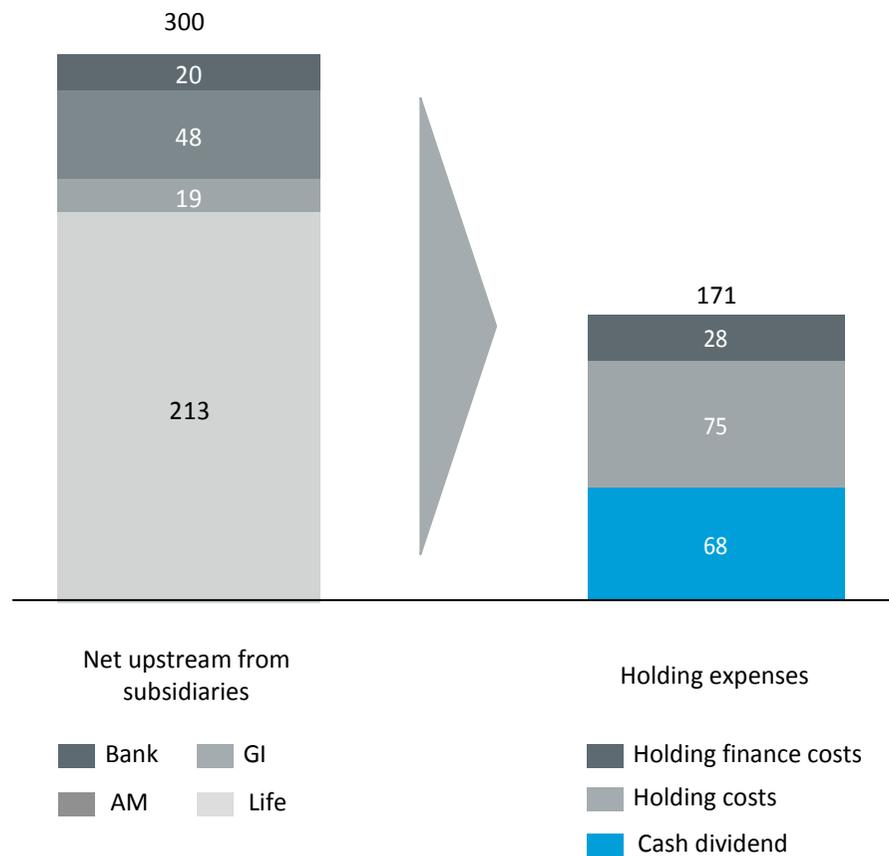
## IFRS capital generation impacted by spread movement (H1 2014, €m)



1. *Direct yield* is defined as coupon (based on effective interest method), rental and dividend income
2. *Cost of liabilities* includes required interest of Life and GI reserves and finance costs
3. *Movement of assets* is equal to market volatility impact on assets (incl. pensions)
4. *Movement of liabilities* is defined as the impact of the change in the yield curve used to discount the liabilities (incl. the effect of portfolio assumptions) from beginning to the end of the period

# 2013 cash dividend amply covered

## Holding expenses coverage (€m, FY 2013)



- Disciplined upstream from subsidiaries
- Cash dividend, holding costs and holding finance costs covered 1.8 times by net upstream from subsidiaries

# Bringing greater transparency to operational result

**New operational result measure based on investment spread**

**Better reflection of real operational performance**

**Better reconciliation to IFRS balance sheet and IFRS capital generation**

**Cash dividend amply covered by upstream from subsidiaries**

# APPENDIX

# Pro-forma direct yield FY 2011 – H1 2014

Breakdown direct yield				
(€ m)	FY 2011	FY 2012	FY 2013	H1 2014
<b>Fixed income</b>				
Fixed income portfolio	22,203	28,027	28,375	30,664 (a.1)
Direct yield fixed income	4.0%	3.2%	3.4%	3.3% (a.2)
<b>Coupon income fixed income</b>	<b>896</b>	<b>907</b>	<b>951</b>	<b>502 (a) = (a.1) x (a.2) x ½</b>
<b>Mortgages</b>				
Mortgage portfolio	3,856	3,940	4,936	5,358 (b.1)
Direct yield mortgages	4.6%	5.6%	4.4%	5.0% (b.2)
<b>Interest income mortgages</b>	<b>177</b>	<b>220</b>	<b>218</b>	<b>133 (b) = (b.1) x (b.2) x ½</b>
<b>Equity</b>				
Equity portfolio	5,545	4,319	3,457	3,424 (c.1)
Direct yield equity	3.0%	3.7%	5.1%	3.7% (c.2)
<b>Dividend income</b>	<b>167</b>	<b>159</b>	<b>177</b>	<b>63 (c) = (c.1) x (c.2) x ½</b>
<b>Property</b>				
Property portfolio	2,445	2,166	2,181	2,133 (d.1)
Direct yield property	5.2%	5.5%	5.1%	5.5% (d.2)
<b>Rental income</b>	<b>127</b>	<b>119</b>	<b>112</b>	<b>59 (d) = (d.1) x (d.2) x ½</b>
Cash	1,070	987	648	1,058
<b>Direct yield</b>	<b>1,367</b>	<b>1,405</b>	<b>1,457</b>	<b>757 (e) = (a) + (b) + (c) + (d)</b>
<b>Total direct yield (% , annualised)</b>	<b>3.9%</b>	<b>3.6%</b>	<b>3.7%</b>	<b>3.6%</b>

# Q&A

# Break

2. Risk & Return management

## Risk Management

*Capital ratios underpin strength*



Theo Berg – Director Group Actuarial & Risk Management

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# Capital ratios underpin strength

IGD Group Solvency

**196%**

S&P Rating

**A**

A Rating affirmed  
Stable outlook  
Capital & Earnings revised to 'strong'

Solvency II



Internal Model:  
mid-range of appetite level

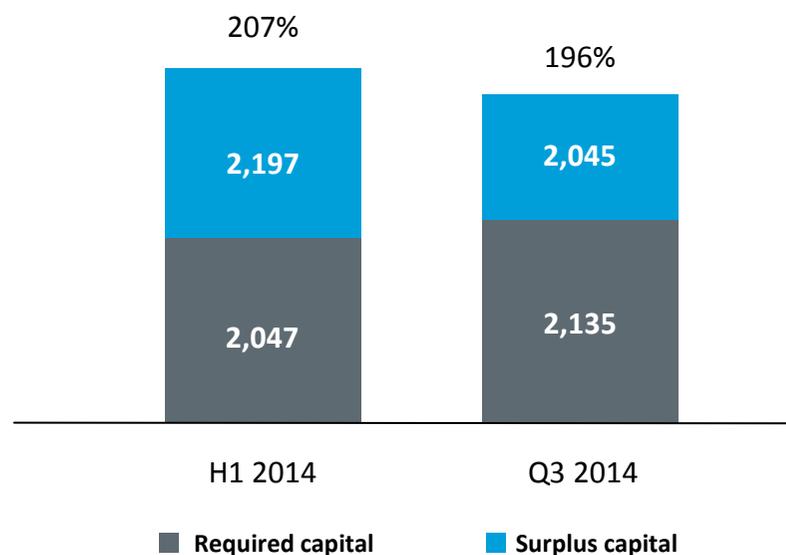
Standard Formula:  
requirements exceeded

Capital strengthened in 2014

- PerpNC10 issued, WACC reduced
  - *notional amount € 750m*
  - *coupon at 4.375%*
- Equity protection increased
- Longevity risk mitigated through six year longevity swap
  - *relating to underlying longevity reserves of approximately € 12bn*
- Interest position hedged

## Operational capital generation offset by increased required capital

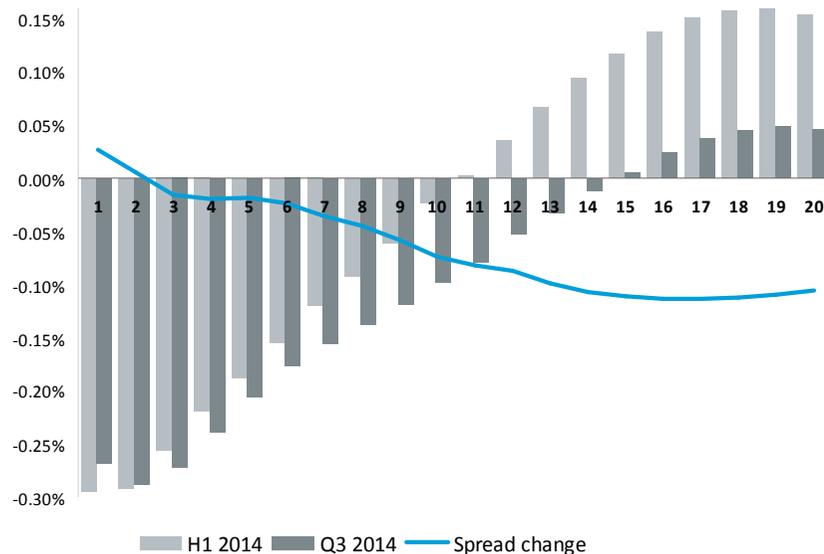
### IGD Group solvency (€m)



- IGD Group solvency decreased 11pp  
+ *operational capital generation*  
-/- *cash dividend payments*  
-/- *acquisition of BeFrank*  
-/- *adverse curve movements*
- Regulatory (IGD) solvency insurance entities at 228%
- Industry-wide discussion on market valuation of mortgages ongoing

# Adverse movements between Swap and ECB AAA curves

## Spread between SWAP/ECB AAA



- All durations show larger decrease for ECB AAA curve versus SWAP curve  
— *spread contracts more at long end*
- Years 19 and 20 effect the starting point of the Ultimate Forward Rate

# Widening spread lowers IGD Group solvency ratio

## Solvency I



## Movement H1 2014 – Q3 2014

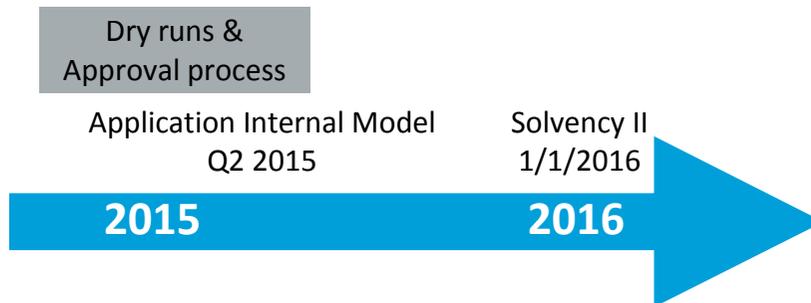
- ① Decreased ECB AAA curve leads to increased value of insurance liabilities  
— *required capital increases*
- ② Decreased swap curve leads to increased market value of assets  
— *does not offset increased value of insurance liabilities due to widening spread between ECB AAA curve and swap curve*  
— *available capital decreases*
- ③ As a result, solvency ratio decreases

$$\text{Solvency ratio} = \frac{\text{Available capital} \blacktriangledown}{\text{Required capital} \blacktriangle}$$

1. Safety margin against policyholders liquidating their assets
2. Margin for uncertainty around Best Estimate Liability

# Prepared for Solvency II

## Next steps



- Current status
  - *on track for Solvency II implementation*
  - *implementing disclosure requirements*
  - *deadline application for Internal Model at regulating authority in Q2 2015*
- Current uncertainties
  - *determination of Volatility Adjustment (VA) and credit risk adjustment*
  - *use of assets for matching adjustment*
  - *tax treatment within fiscal unity system*
  - *application of transitional rules*
  - *approval of Internal Model*

# Internal Model better reflects Delta Lloyd business model

## Internal Model

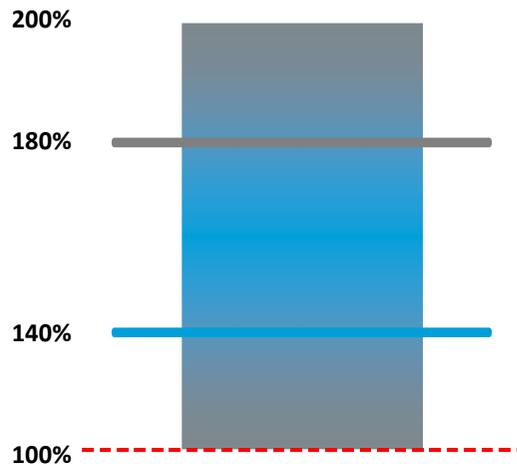
- Economic solvency ratio from Internal Model forms basis for business management
  - *aims to reflect available capital and required capital on economic basis*
  - *filing for Internal Model approval is underway*
- Internal Model partly based on pre-described Standard Formula methodology
  - *valuation curve*
  - *6% cost of capital*
  - *exit value approach*

## Main differences with Standard Formula

- Longevity treatment
- Diversification benefit: single correlation matrix (Internal Model) versus multi-layer matrices (Standard Formula)
- Volatility adjustment under stress also applied to liabilities in Internal Model (Standard Formula only on assets)
- All risk exposures are calibrated based on best-fit models (Internal Model) versus general European models (Standard Formula)

# Managing for a robust capital position

## Optimal range of Internal Model



- Economic capital ratio is trade-off between risk and return
  - *optimum level is a balance between risk and capital*
  - *range needed to allow for sensitivity of ratio*
- Internal Model ratio per Q3 2014 in mid-range of appetite level
  - *continuing highly diversified asset portfolio with long term fundamental view*
- Due to differences between Standard Formula and Internal Model, Standard Formula capital ranges are lower than Internal Model capital ranges

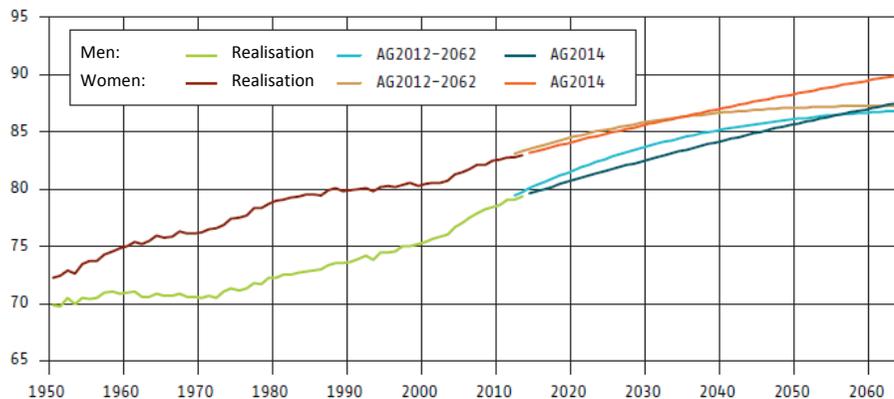
# Longevity exposures treated differently

	Standard Formula	Internal Model
Longevity stress	<ul style="list-style-type: none"><li>• Overall stress of 20%<ul style="list-style-type: none"><li>— <i>at best estimate</i></li><li>— <i>time independent</i></li><li>— <i>Pan-European</i></li></ul></li></ul>	<ul style="list-style-type: none"><li>• Diversified stress (on average 12%)<ul style="list-style-type: none"><li>— <i>life expectancy increase per age over time</i></li><li>— <i>time dependent stress levels (near future more certain than far future)</i></li><li>— <i>Delta Lloyd specific</i></li></ul></li></ul>
Longevity correlation	<ul style="list-style-type: none"><li>• Correlation 25%<ul style="list-style-type: none"><li>— <i>when asset markets decrease, longevity decreases as well</i></li></ul></li></ul>	<ul style="list-style-type: none"><li>• Correlation 0%<ul style="list-style-type: none"><li>— <i>no impact of financial markets on mortality rates or improvements</i></li></ul></li></ul>

# Negligible impact from new mortality tables

## Life expectancy at birth<sup>1</sup>

Men and women



- AG2014 mortality table resolves shortcomings of AG2012-2062 mortality table
  - *important change is use of mortality data of European countries with a similar profile as the Netherlands*
  - *added extra experience data. Use of more data has stabilising effect on mortality projections*
- Negligible impact of new AG2014 mortality tables on Delta Lloyd
  - *reserves for term insurance products increase due to higher mortality rates for the middle aged*
  - *for annuities the reverse holds, although impact differs per age*

1. Source: 'Actuariel Genootschap' (AG)

# Various longevity hedge options considered

## Option

## Consequence

Accept



When real life expectancy is higher than current prognosis (big) losses materialise

Internal options



Natural hedge by better use of internal diversification options

External options



Natural hedge by buying external portfolio for better use of diversification options

Portfolio reinsurance



All risks (with exception of counterparty risk) transferred to reinsurer

Bonds



Hedging longevity with bonds matching the cash flows (linked to mortality chances)

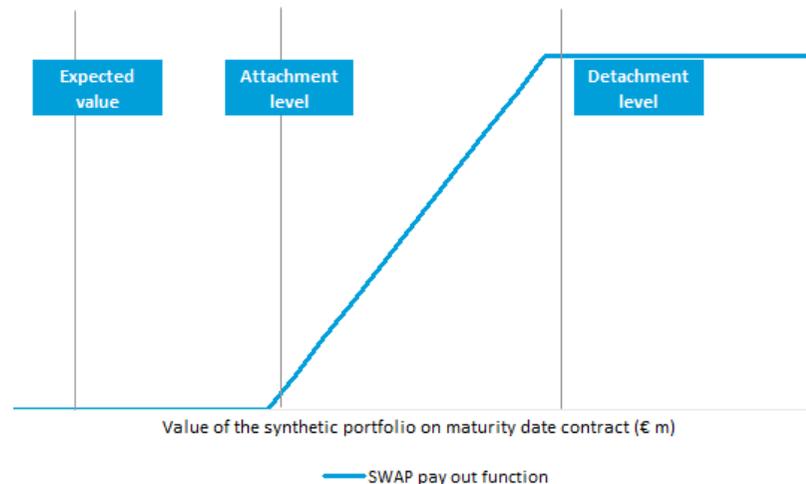
Derivatives



Longevity hedge with capital markets swaps or forwards based on chosen mortality-index

# Longevity risk cost-effectively reduced

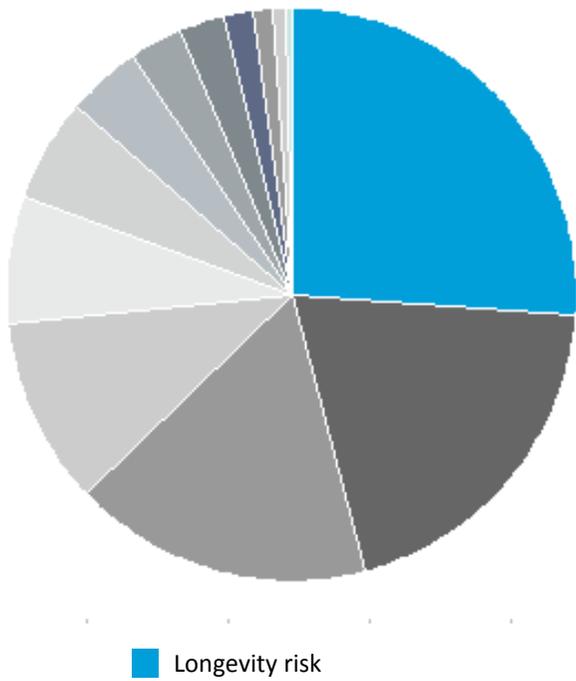
## Swap payout function



- Maximum payout in Standard Formula stress scenario
- Structured as out-of-the-money option
  - *no payment if current best estimate is realised*
  - *attachment level: minimal mortality improvement to be realised for payout*
  - *detachment level: maximum mortality improvement beyond which no additional payment is made*
- Transaction specifics
  - *longevity risk capital reduction of approximately 30%*
  - *non-recurring flat fee deal, payable after 6 years*
  - *Dutch population mortality used as reference index*

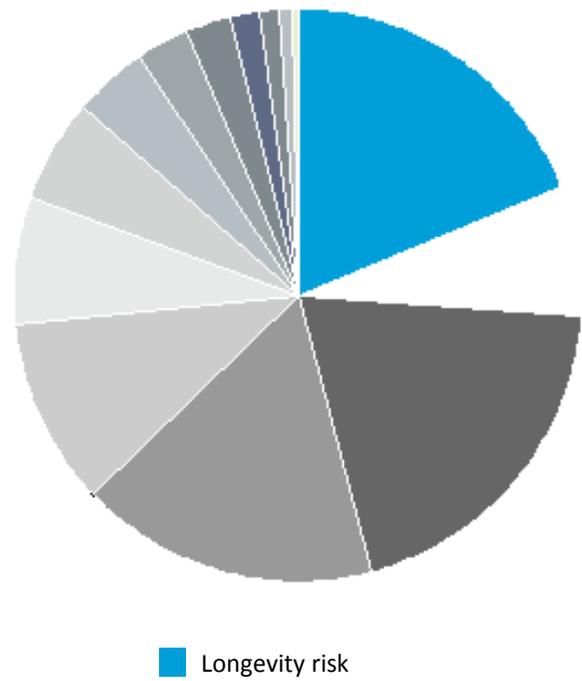
# More balanced risks after longevity swap

Single stress capitals (SF) without swap



- Longevity risk is largest insurance risk in the portfolio of Delta Lloyd

Single stress capitals (SF) with swap



- After longevity swap, risks are more balanced

# Capital ratios underpin strength

Meeting requirements of current and future capital regimes

Well prepared for Solvency II

Economic capital ratio (IM) in mid-range of appetite level

Longevity exposure actively managed

## 2. Risk and Return management

# Delta Lloyd Return Management

*Evolving portfolio to reflect the changing environment*



**Jacco Maters – Chief Investment Officer**

**delta lloyd**

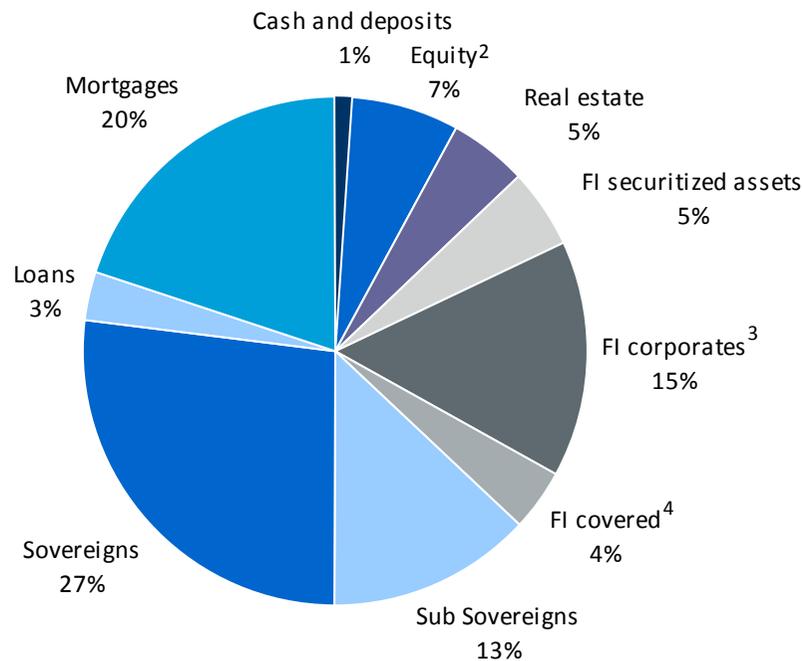
## New Chief Investment Officer at Delta Lloyd Asset Management



- Joined Delta Lloyd per 1 October 2014
- Many years of asset management experience
- Several management positions at Allianz Investment Management (2009 - 2014)
  - *Group Head Equity*
  - *Group Head Derivatives*
  - *Deputy Group Head Capital Markets*
- Other previous employers include Lombard Odier Darier Hentsch & Cie and ABN Amro Asset Management

# Diversified portfolio with a long term fundamental view

Own risk assets H1 2014 = € 51.6 bn<sup>1</sup>



- Fully diversified fixed income portfolio, focus on safe countries and innovative credit ideas
- Equity portfolio in participations to benefit from additional returns
- Downside equity risk hedged cost-effectively in low volatility environment
- Total return<sup>5</sup> on own risk assets of 12.6% per Q3 2014

1. Mortgages and loans partly at amortised cost
2. Includes private equity, preference shares, equity derivatives and others
3. Includes corporate credit, fixed income derivatives and fixed income investment funds
4. Includes covered bonds with state/government guarantee
5. Total return includes derivatives; excluding Bank (NL and Be) and Amstelhuys

## Total return on own risk assets improved to 12.6%

Portfolio <sup>1</sup>	Q3 2014	H1 2014
Fixed income <sup>2</sup>	14.9%	9.7%
Equity <sup>3</sup>	5.1%	4.0%
Property	1.8%	0.5%
<b>Total</b>	<b>12.6%</b>	<b>8.4%</b>

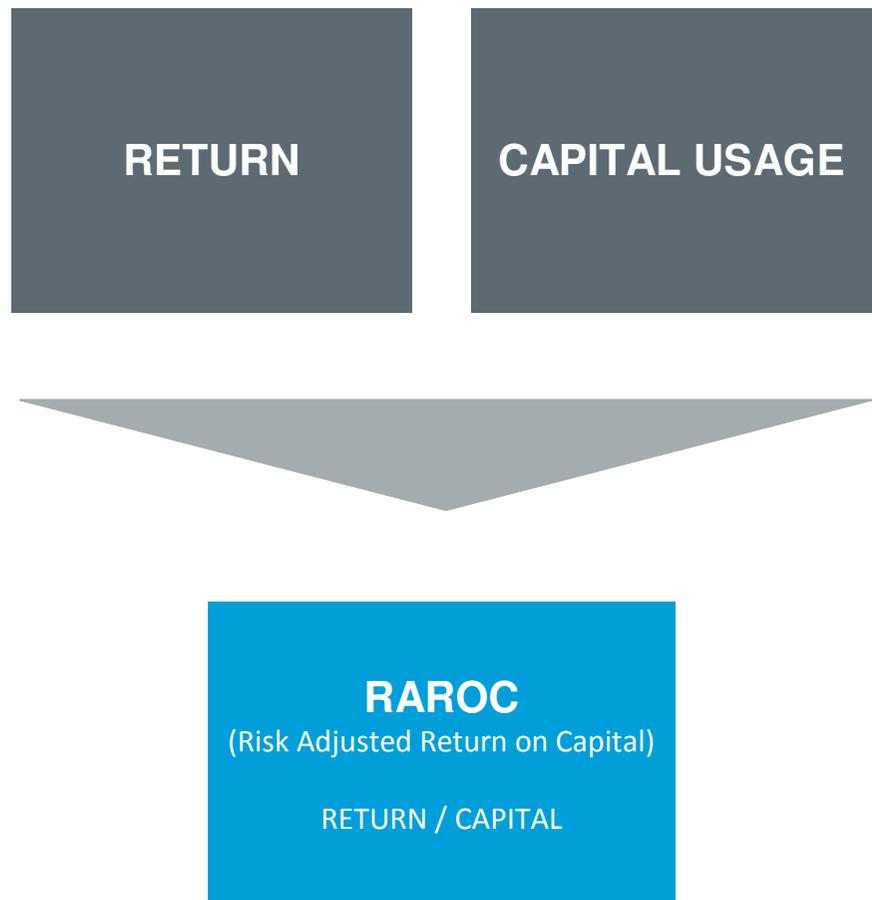
1. Based on own risk AuM of appr. € 43bn (Q3 2014) and € 42bn (H1 2014) (excl. mortgages Bank (NL and Be) and Amstelhuys)
2. Performance including derivatives
3. Performance including 'Alternatives' and including derivatives

# Solvency II capital charges conflict with economic view

Asset class	Outlook next 12 months	Capital charge
Mortgages	Positive	Low
Equities	Slightly positive	High
Credits	Neutral	Low, depending on rating and maturity
Real estate	Slightly negative	Moderate
Sovereigns	Slightly negative	Very low

- Our analysis always starts with our economic view
- Solvency II capital charge for risky assets would lead to a move from risky to less risky asset classes
  - *on a general level from equity and real estate to fixed income*
  - *within fixed income from corporates to sovereigns*

# Combining economic view and Solvency II: RAROC



- Use of RAROC favours a balanced risk-return view
- Identified alternative investments that meet this balanced view
  - *investments with a lower risk capital charge: e.g. private debt*
  - *investments with a higher return: e.g. participations*

# Optimising cash returns for capital

## Fixed Income

*Solvency II risk charge:  
dependent on maturity of loan and credit rating of issuer*

### Liquid

- Diversify sovereign risk
- Emerging markets offer interesting potential
- Large market with interesting spreads while having solid fundamentals
- Low credit charge, depending on currency

### Illiquid

- Move from sovereigns to more illiquid sub-sovereign names to benefit from yield pick-up at same capital charge
- Move from corporates to private debt
  - *direct loans to companies*
  - *direct loans to utility companies*
  - *government guaranteed (e.g. export credit facilities)*

# Core-satellite approach mitigates risks

## Equities

Solvency II risk  
charge:  
45%

### Liquid

- High capital charge and dependent on country of origin:
  - *focus on equity investments from Euro-denominated countries*
- Core investments lower basis risk

### Illiquid

- Participations give a higher return potential after tax
  - *better usage of risk capital*
- Satellite investment to deliver additional returns via outperformance of investment style

# Focus on Dutch residential housing, loans and mortgages

## Real Estate

*Solvency II risk  
charge:  
25%*

### Residential

- Long contracts with interesting yield
- High occupancy rates
- Expertise in-house

### Commercial

- Shift from owning equity and operating to providing debt
- Unique combination of market knowledge in both real estate and private debt

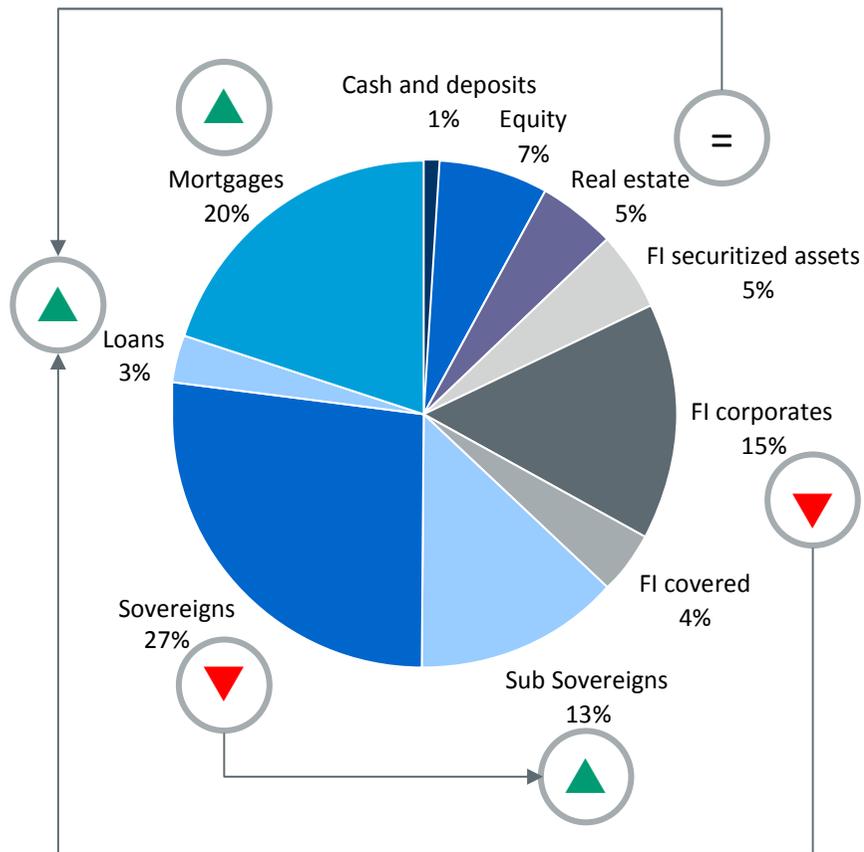
## Mortgages

*Solvency II risk  
charge:  
~8%*

- Attractive, low risk investment
- Very low capital charge, dependent on Loan to Value ratio  
— *even lower risk capital charge for NHG mortgages*
- Leverage on existing businesses

# Moving to an optimised portfolio

## Own risk assets



▲ Increased allocation ▼ Decreased allocation = Movements within asset class

- Continuing highly diversified portfolio with a long term fundamental view
- Mortgages will be more important, offering high yield and low risk capital need
- Loans will increase, taking advantage of our combined skills
- Real estate with a different focus
- Take advantage of attractive yield providers in a changing environment
- Matching adjustment a smart way to allocate capital

# Evolving portfolio to reflect the changing environment

**Focus on Risk Adjusted Return on Capital**

**Illiquid asset classes offer a good addition to existing portfolio**

**Focus on real estate in Dutch residential market**

**Diversification remains key**

# Q&A

# Break

3. Sustainable profitability

## Commercial Strategy

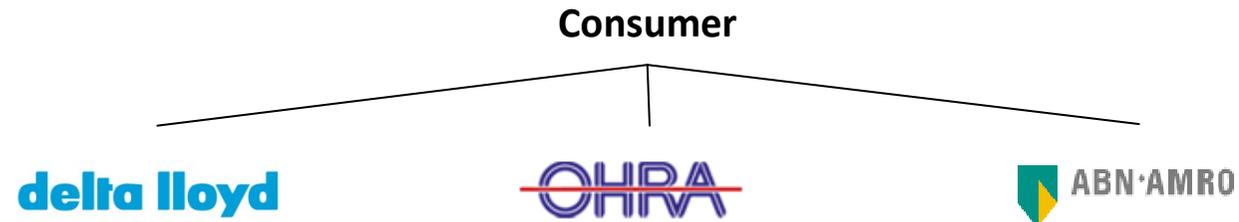
*Growing market share by responding effectively to changing customer needs*



**Ingrid de Graaf – Member Executive Board**

**delta lloyd**

# Capitalising on Dutch multi channel distribution strength



	<b>delta lloyd</b>	<b>OHRA</b>	<b>ABN·AMRO</b>
<b>Insurance retail</b>	> 1,000,000 customers	> 720,000 customers	> 1,000,000 customers
<b>Insurance commercial</b>	> 100,000 companies		> 46,000 companies
<b>Bank retail</b>	> 175,000 customers	> 110,000 customers	
<b>Distribution</b>	IFA (~100%)	Online (½) Contact centre (¾) Online brokers (⅛)	Internet, call centre, service desk (~100%)

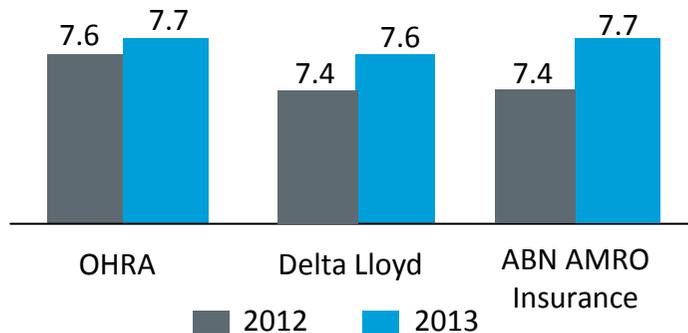
## Leveraging strong market positions to grow new business

### Market share new business H1 2014

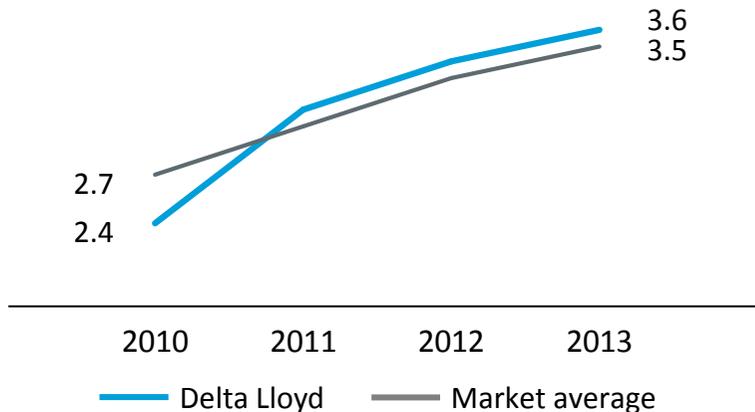
<b>Pension</b>	59.1%	▲	<ul style="list-style-type: none"><li>• Largest provider in attractive pension market</li></ul>
<b>Term Insurance</b>	20.5%	▲	<ul style="list-style-type: none"><li>• Increased focus on mortality products leads to strong increase market share</li></ul>
<b>GI Commercial</b>	9.1%	▬	<ul style="list-style-type: none"><li>• Stable new business share for Delta Lloyd and ABN Amro Insurance</li></ul>
<b>GI Retail</b>	12.2%	▬	<ul style="list-style-type: none"><li>• Maintained stable market position in a decreasing market</li></ul>
<b>Mortgages</b>	1.8 %	▲	<ul style="list-style-type: none"><li>• New mortgages up 53% per H1 2014</li><li>• Dutch residential mortgage market recovering</li></ul>

# Continued market leadership in customer performance

## Customer satisfaction score



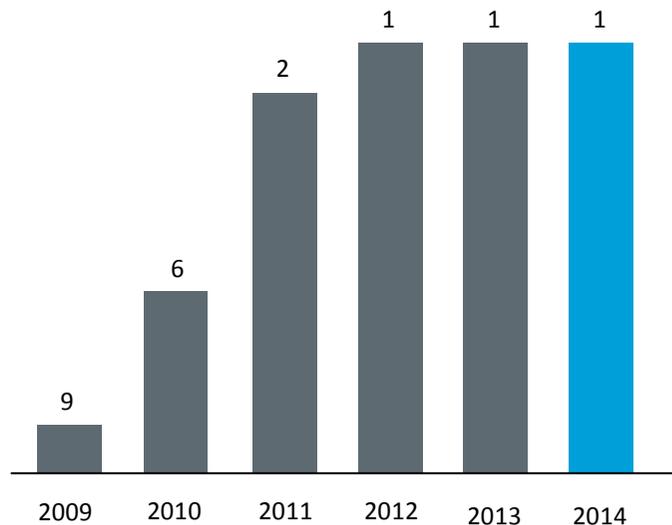
## AFM Customer Centric Dashboard score



- Continued improvement overall customer satisfaction
- Retain customer-focused insurance quality label for all labels
- Above benchmark score of 3.6 in AFM Customer Centric Dashboard over 2013
- Delta Lloyd plays active role in restoring consumer' confidence in financial services

## Strong relationship with key channel

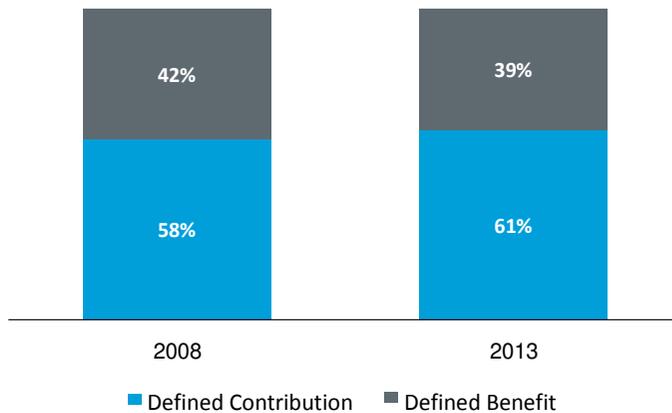
### IFA satisfaction ranking pension



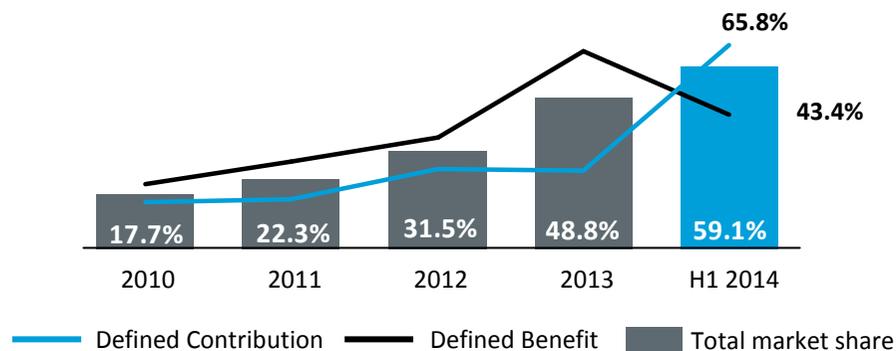
- IT systems key driver behind improved service levels
- Successfully managing IFA relationships
- Improving service levels in commercial business lines
- Helping advisors add value to their clients

# Customer led innovation improves product mix

## Annual premium DB/DC market share



## Group Life annual premium NB market share



- Market shifts from Defined Benefit to fast growing Defined Contribution segment
- New business market leader in annual premium segment
  - translates into growing market share portfolio premium
  - innovative PPI BeFrank leading the PPI market with 35% market share
- IFA co-creation led to successful innovation of hybrid products

## Market position allows for profitable growth in GI Commercial



- Strong market position
  - *new business in commercial market growing*
  - *stable new business share for Delta Lloyd and ABN Amro Insurance*
- Both brands primarily focused on growth in profitable SME markets
  - *packaged solutions*
  - *improved online tooling, reflecting lessons learned in retail market*
  - *improved product range*
- Successful approach
  - *growth new business SME market: +23%*
  - *increase in online new business: +150%*

# Adapting to changing customer needs



- OHRA 2.0
  - *convenience and accessibility*
  - *modern look & feel*
  - *streamlining customer processes*
  - *error reduction, 'first time right'*
  - *new initiatives to grow the business*
  - *superior online tooling*



- ABN AMRO Insurance
  - *rate & review improves service*
  - *focus on 1-on-1 marketing*
  - *strong position due to optimal distribution*
  - *successful campaigns increase market share*

# Growing market share

Responding effectively to changing customer needs

Capitalising on Dutch multi channel distribution strength

Leveraging customer insights to lead on innovation

Expanding market share in new business

### 3. Sustainable profitability

## Life & Pensions The Netherlands

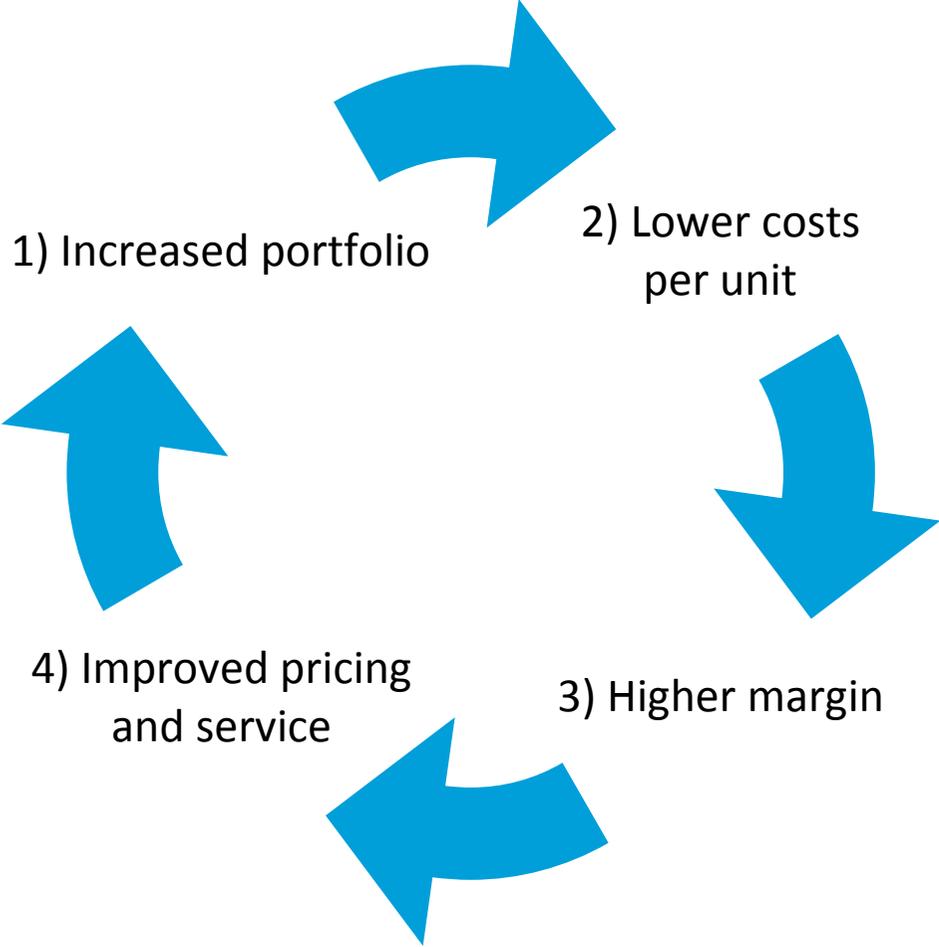
*Profitability accelerated by service  
and lower costs*



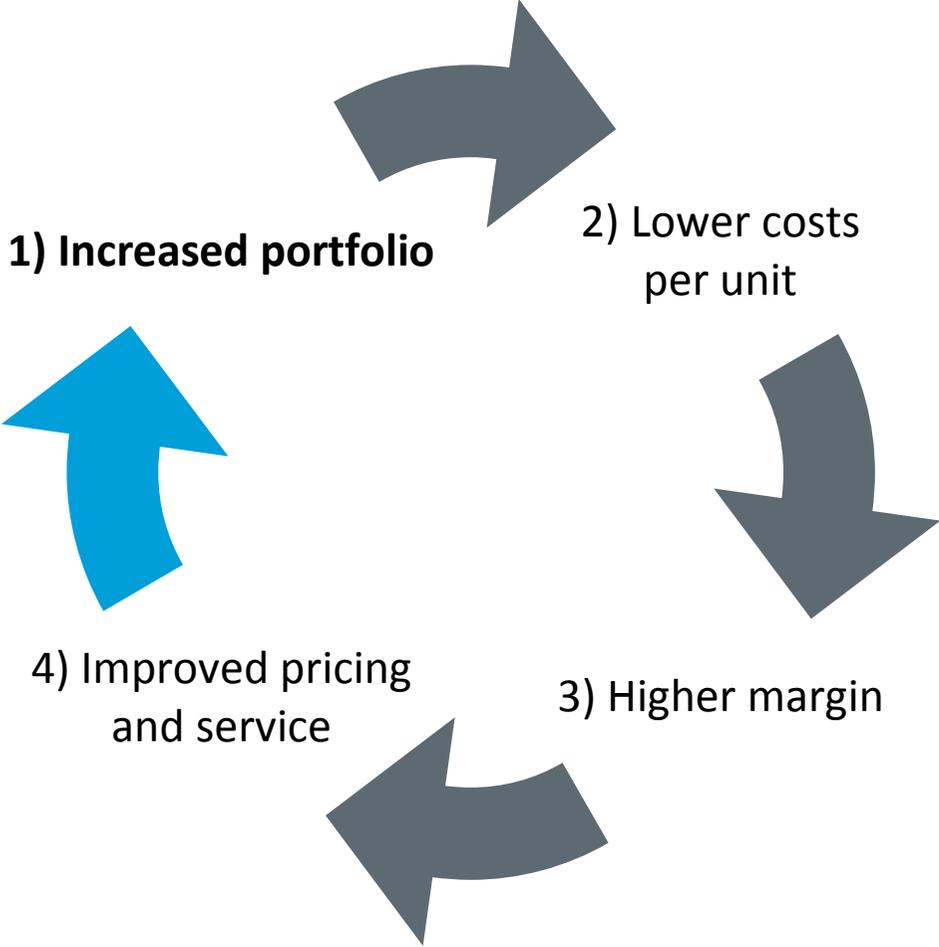
**Léon van Riet – Managing Director Life & Pensions The Netherlands**

**delta lloyd**

# Virtuous circle of business performance



# Virtuous circle of business performance



# Innovative hybrid solution delivering new business

## Background

- Low interest rate environment accelerating shift to Defined Contribution pension schemes
- Labour unions and works councils hesitant towards pure Defined Contribution products

## Hybrid solution

- Flexible dynamic choice between guaranteed pension and investments
- Employee in charge of own pension accrual
- Mitigate unexpected costs for employer
- Full online support for employee through pension portal
- Administration of the product in one system resulting in one integrated policy

## Result

- Market leading hybrid product developed in co-creation with customers and IFA's
- Participation in Defined Contribution doubled since hybrid product introduction

# Pension legislation creates new commercial opportunities

## Pension accord 2015

- Maximum pensions accrual reduced
  - Tax relief on pensionable salary above €100,000 removed
- 

## Solution

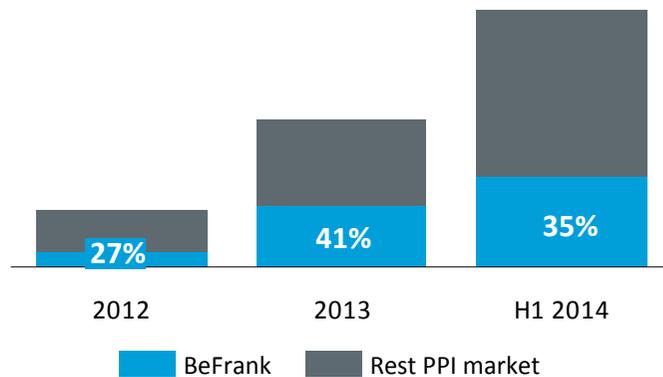
- Flexible menu of options for current schemes
  - Flexible product for income protection and net retirement accrual
- 

## Conclusion

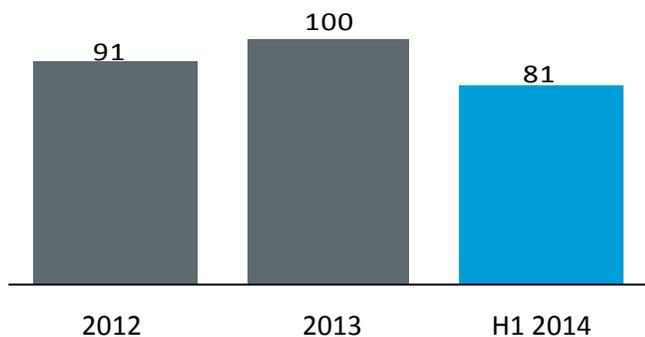
- GWP for existing contracts largely maintained
- Window of opportunity for the individual pension market

# BeFrank: innovative PPI solution

## Market share new business (€ premium)<sup>1</sup>



## NPS score BeFrank

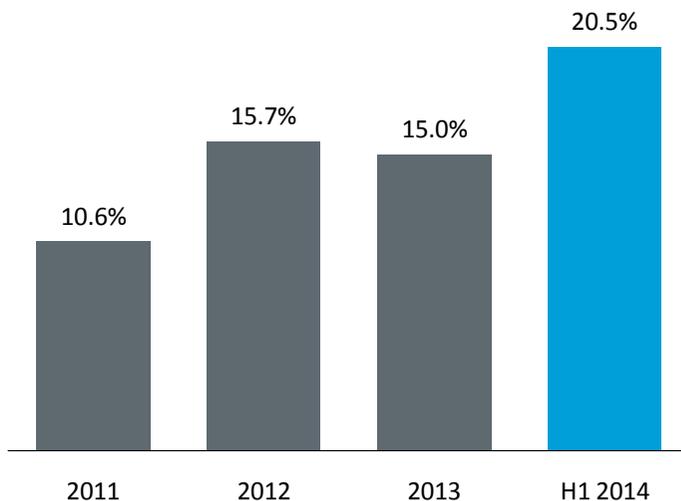


- PPI market is rapidly growing into established market
- BeFrank market leader in PPI market segment
  - *first mover advantage*
  - *focus on large companies (>50 employees)*
- Full ownership of BeFrank since July 2014
- Strengths
  - *online platform*
  - *low cost*
  - *high customer satisfaction*

1. Source: DNB and company intelligence

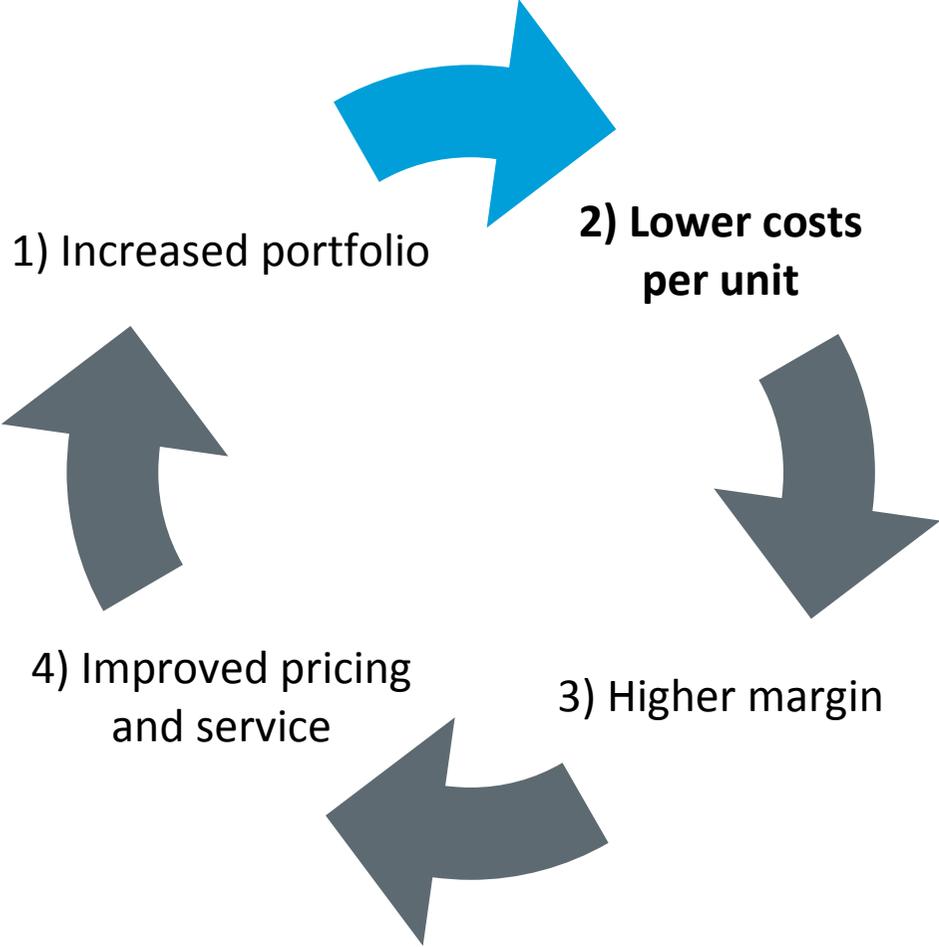
# Strong increase in term insurance market share

Market share term insurance NB (%)



- Increased focus on mortality products leads to strong increase in term insurance market share
- Seven minute term insurance launched in August 2014
  - *application processed in seven minutes*
  - *Straight Through Processing*
  - *fully automated process control*
  - *high customer satisfaction*

# Virtuous circle of business performance



# Operational strategy supports further cost improvement

## Operational strategy

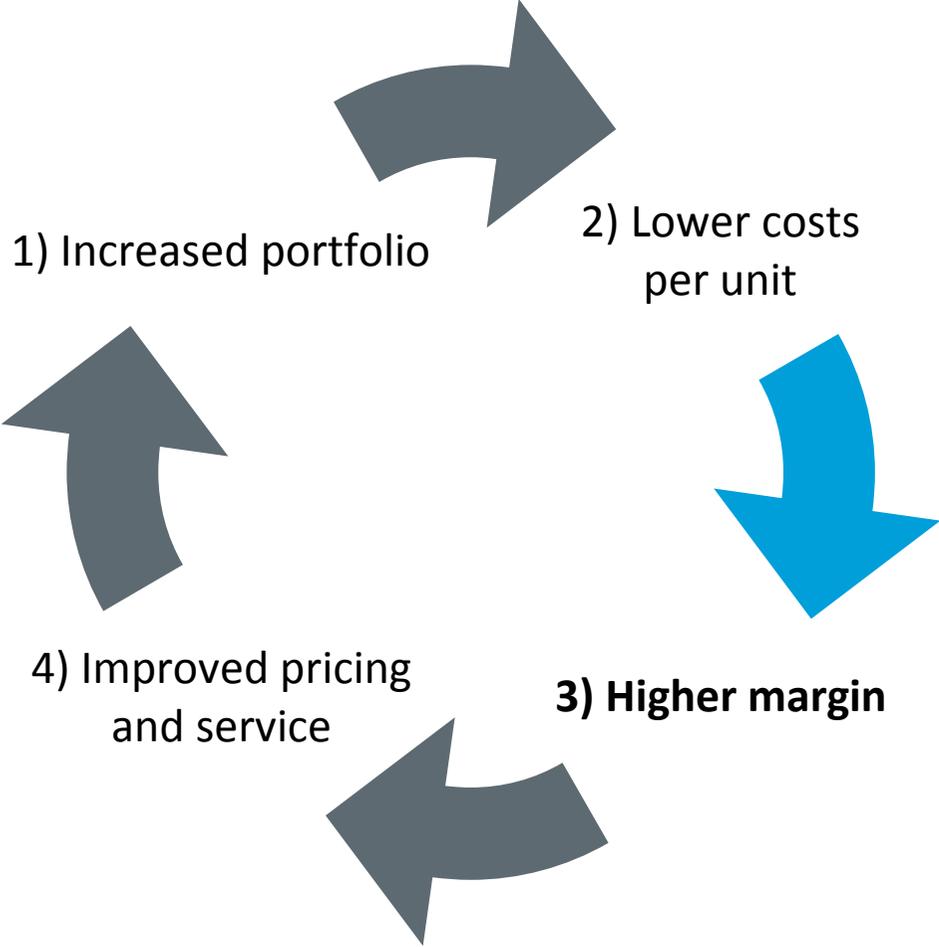
1. Process optimisation
2. Portfolio rationalisation
3. IT
  - *legacy reduction*
  - *Straight Through Processing*
  - *digitalisation*
  - *digital servicing*



## Lower cost per policy

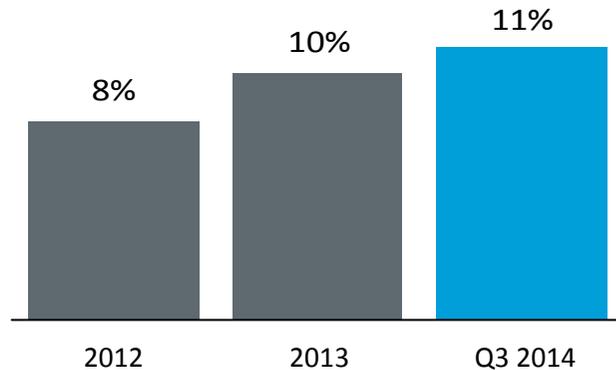
- Lower cost per policy through portfolio growth and cost reduction
  - *18% lower cost per policy in Group Life compared to 2013*

# Virtuous circle of business performance

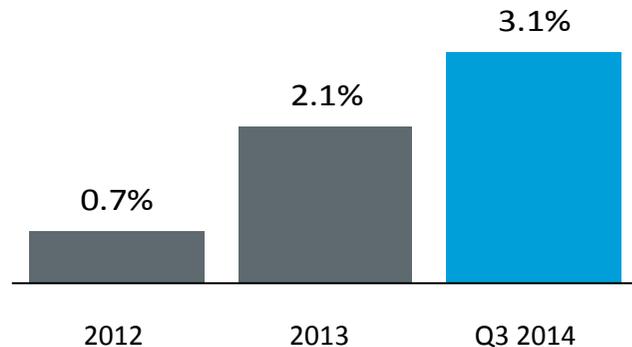


# Improved profitability

## Internal rate of return<sup>1</sup>



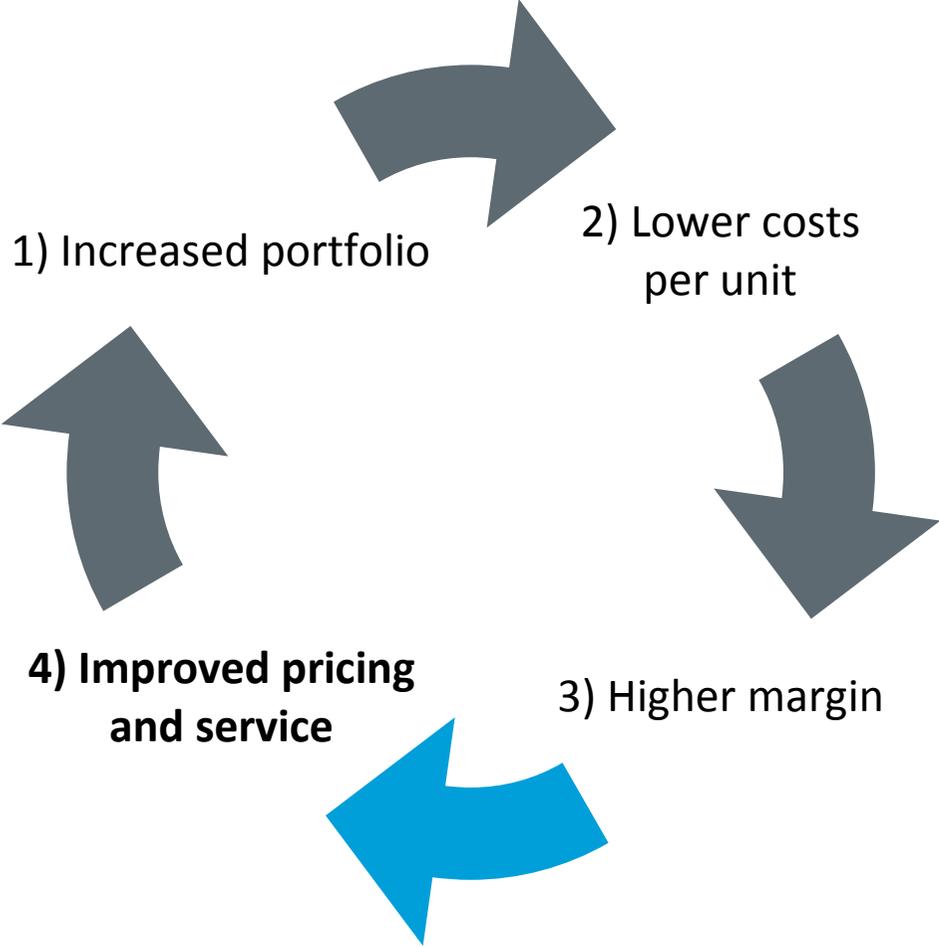
## New business margin<sup>2</sup>



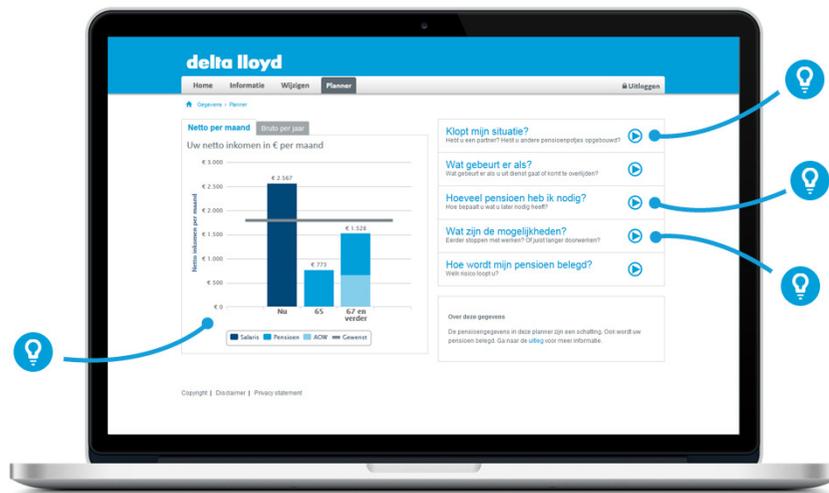
- Strong margins realised in first three quarters of 2014  
— *combined with high new business volumes*
- Active pricing policy has increased volumes and reduced costs

1. EEV-based  
2. MCEV-based

# Virtuous circle of business performance



# Harnessing technology to improve service



- Delta Lloyd portal rolled out to all Delta Lloyd Defined Contribution participants
- Benefits for employer
  - *less expensive*
  - *custom made pension*
  - *simple and online*
- Benefits for employee
  - *all information online accessible*
  - *freedom of choice*
  - *supported by Pension planner*
  - *clear communication*
- Solution extended to employee benefits

# Competitive pricing based on longevity swap and income level

## Introduction

- Mortality tables show acceleration of longevity in Dutch population
- Longevity is one of key risks for Delta Lloyd
- Correlation between income level and mortality

## Structure

- Improvements in longevity in next six years mitigated  
— *no protection against future methodology changes*
- Transaction enables more competitive pricing and higher margins
- Fine tuning of pricing model dependent on income level

# Profitability accelerated by service and lower costs

Increased portfolio

Lower costs per unit

Higher margin

Improved pricing and service

### 3. Sustainable profitability

## Life and Pensions Belgium

*Exploiting profitable growth opportunities in Belgium*



**Jan van Autreve – Managing Director Delta Lloyd Life Belgium**

**delta lloyd**

# Delivering on our promises

## Market opportunities

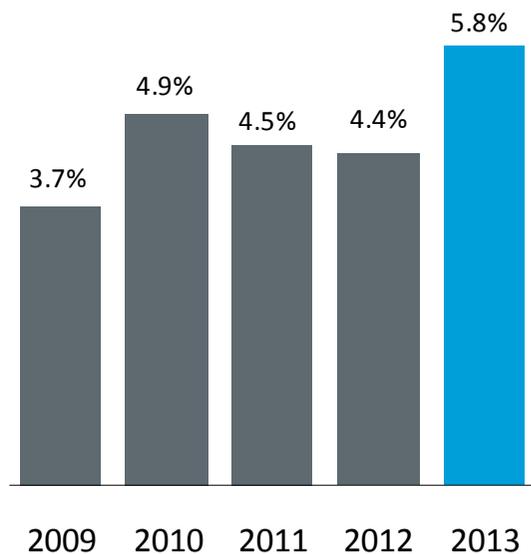
- Positive demographics: ageing population putting pressure on statutory pensions
- Pension growth opportunity in non-state provision
- Growth potential for life insurance in relation to savings

## Delta Lloyd Life's DNA

- Profitable growth company
- Multi distribution, increased focus on bank channel
- Margin and capital optimisation through client centricity
- Pension leadership through CSR positioning and innovative life cycle based products
- Focus on core life insurance activities

# Progress on strategic goals

## Growing market share<sup>1</sup>



- Transition from small market player to medium-sized operator servicing 600,000 customers
- Improved client centricity
- Cost base reduced by 25% since 2010 ensures greater efficiency
- Management actions translate into a more profitable, well run, company

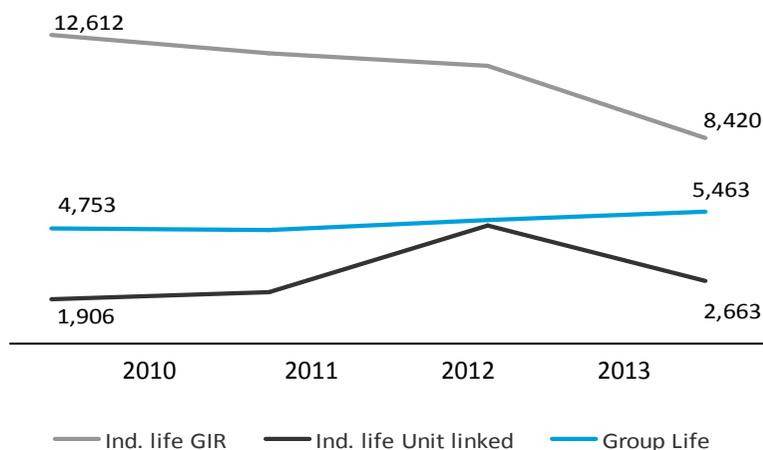
1. Life business market share, excludes ZA acquisition

# Challenging markets require greater agility

## Belgian 10Y government bond yield



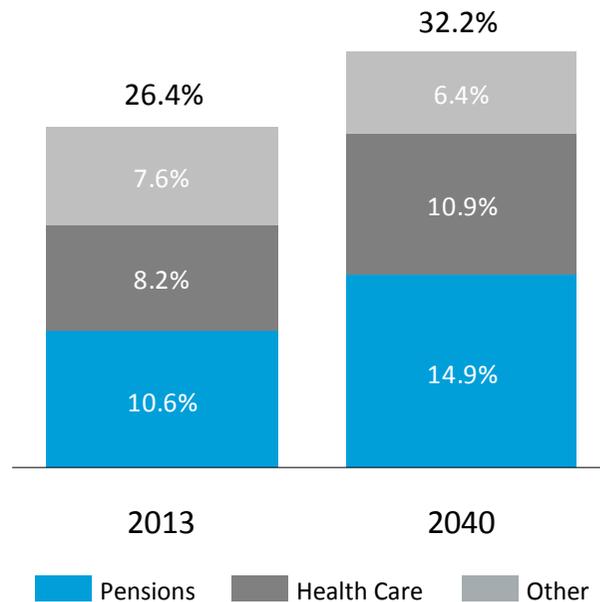
## GWP Belgian life insurance market (€m)



- Low interest rate environment putting pressure on margins and capital of life insurance business
- Retail clients becoming more reluctant to lock in savings at low interest rate
- Increased tax premium in individual life business
- Banking related products represent an increasing proportion of a family's financial assets

# Retreat of welfare state presents profitable growth opportunity

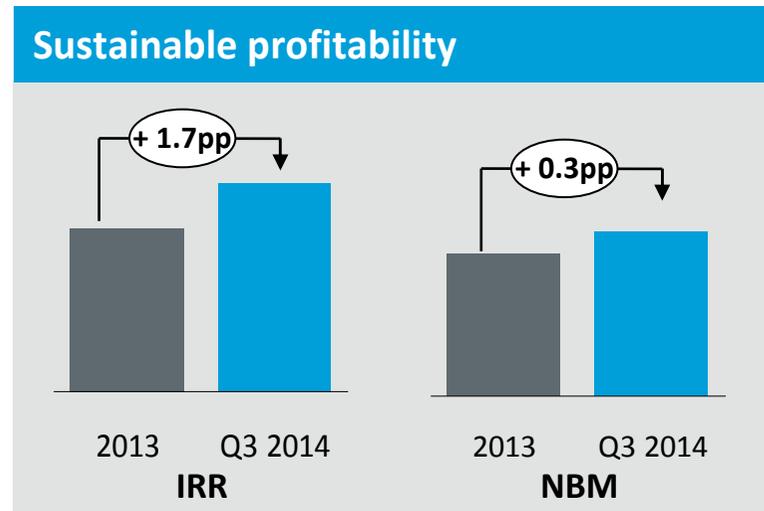
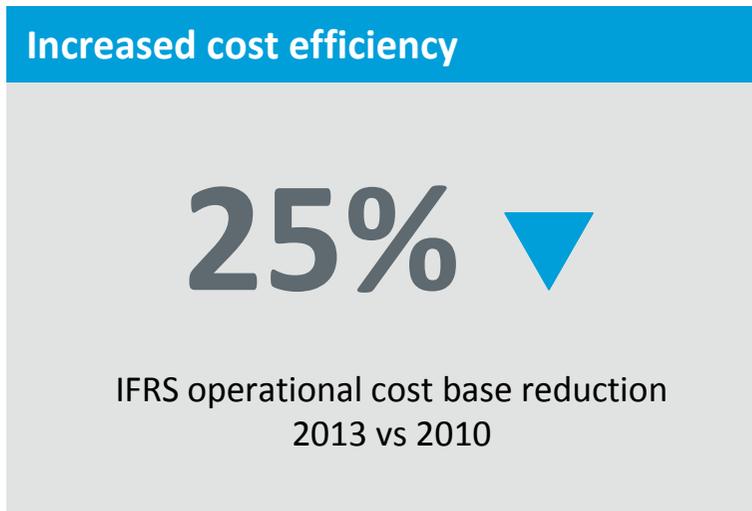
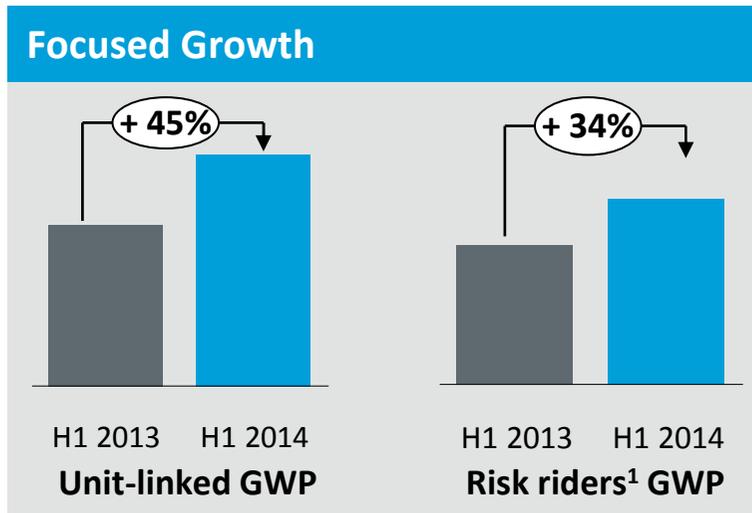
## Belgian ageing cost (% GDP)<sup>1</sup>



- Ageing population and austerity measures pressuring existing welfare state
- Surveys<sup>2</sup> show two attitudinal factors:
  - 72% of Belgian population losing faith in state system
  - 55% of Belgian population to take own measures to mitigate reduced state protection
- New Belgium government supportive of complementary pension schemes
- Delta Lloyd Life's 'Protection Strategy' focuses on two key drivers for profitable growth:
  - death and disability protection
  - unit linked pension solutions

1. Source: Annual report 2014, Belgium Ageing Commission  
2. Source: Proprietary company intelligence

# Strategy already delivering results



1. Death and disability protection

# Exploiting profitable growth opportunities in Belgium

Well positioned to build further on disciplined execution of strategy

Retreat of the welfare state offers profitable growth opportunities

Committed, customer-led Protection Strategy

ZA acquisition supports strategy and profitability

3. Sustainable profitability

General Insurance

*Attractive business with value to be unlocked*

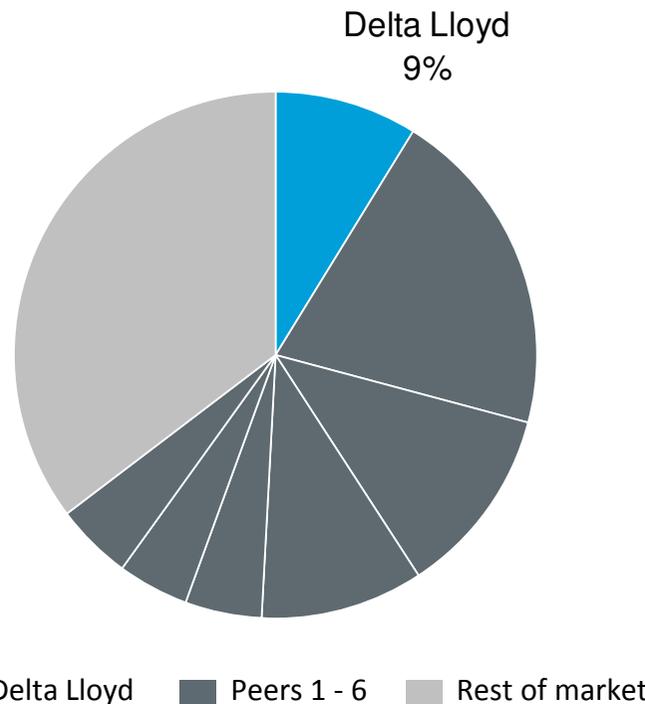


**Onno Verstegen – Member Executive Board**

**delta lloyd**

# Well positioned in a competitive market

GI market share (FY 2013, %)



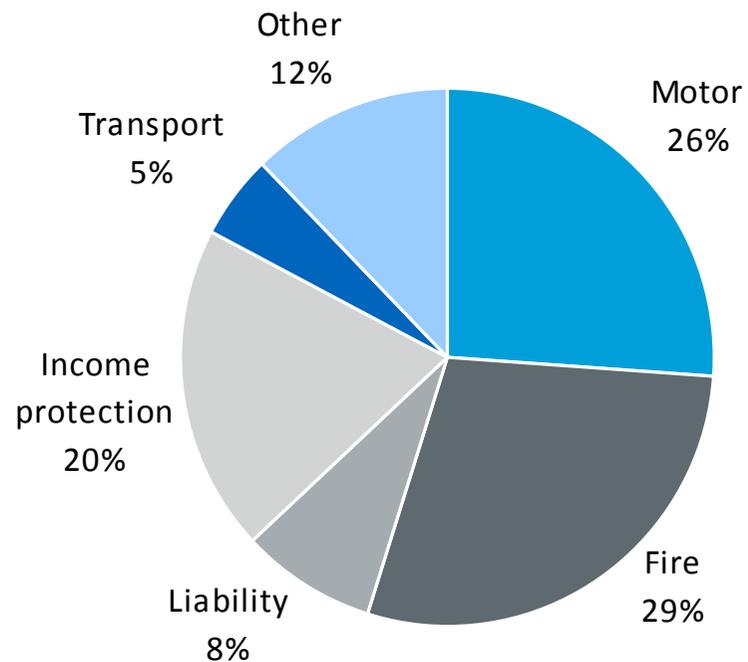
GWP Delta Lloyd: €1.4bn

GWP total market: € 15.8bn

- Economic environment has an impact on GI GWP development
- Maintained a stable market position within a difficult market
- Tight operational management and strict balance between costs and claims

# Business reshaped to attractive segments

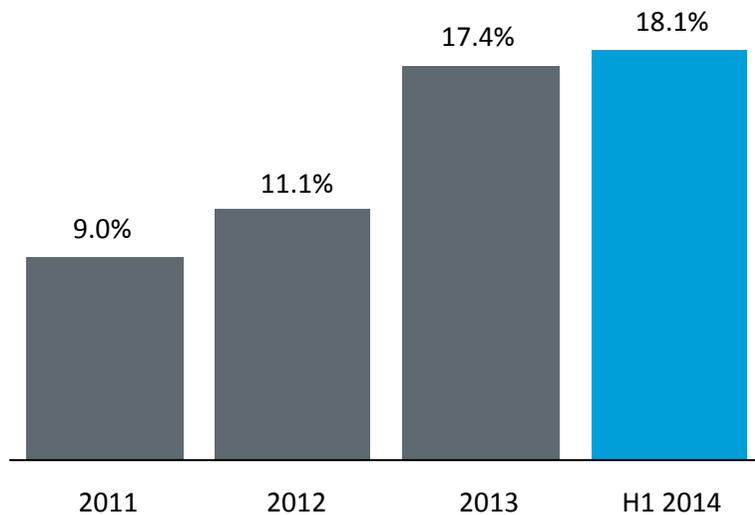
Remaining business types (% of GWP H1 2014)



- Direct action taken on non-performing business
- International Marine Business fully reinsured
- Terminated partial disability (WGA-ER)

# Why is General Insurance so interesting?

## Operational return on equity<sup>1</sup>



- Not a capital intensive business
- Efficient capital deployment
- Margin expansion opportunity through business efficiency

1. Excluding ABN AMRO Insurance

# General Insurance favourable under Solvency II

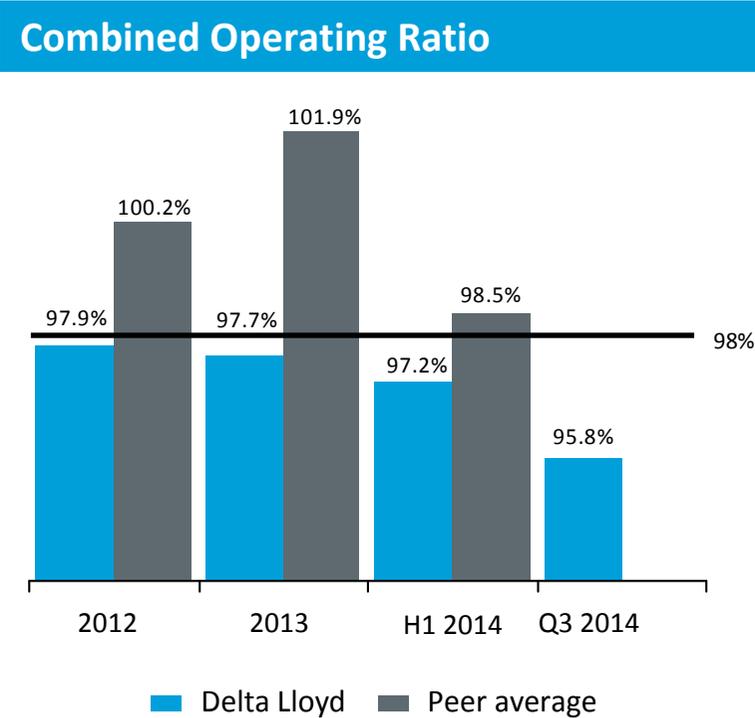
## GI under Solvency II

- Large variation in lines of business
  - Marginal capital charge because of diversified portfolio
  - Yearly adjustments in pricing
- 

## GI and Life

- Short duration in GI (1 year) versus long duration in Life (20-50 years)
- No correlation in claims behaviour between GI and Life

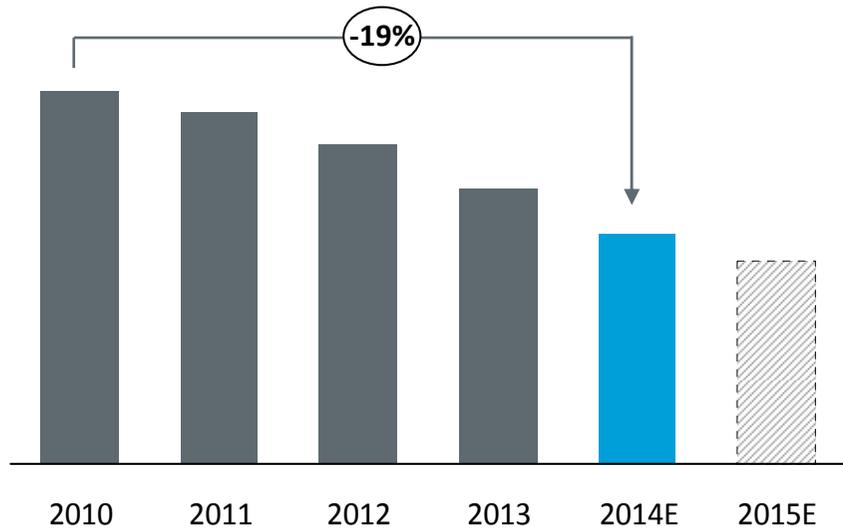
# Acting on claims behaviour drives claims ratio down



- Risk based pricing
- Continuous portfolio review
- Working with clients to prevent claims

# Agile operational strategy drives sustainable cost reduction

## Operational expenses (€m)<sup>1</sup>



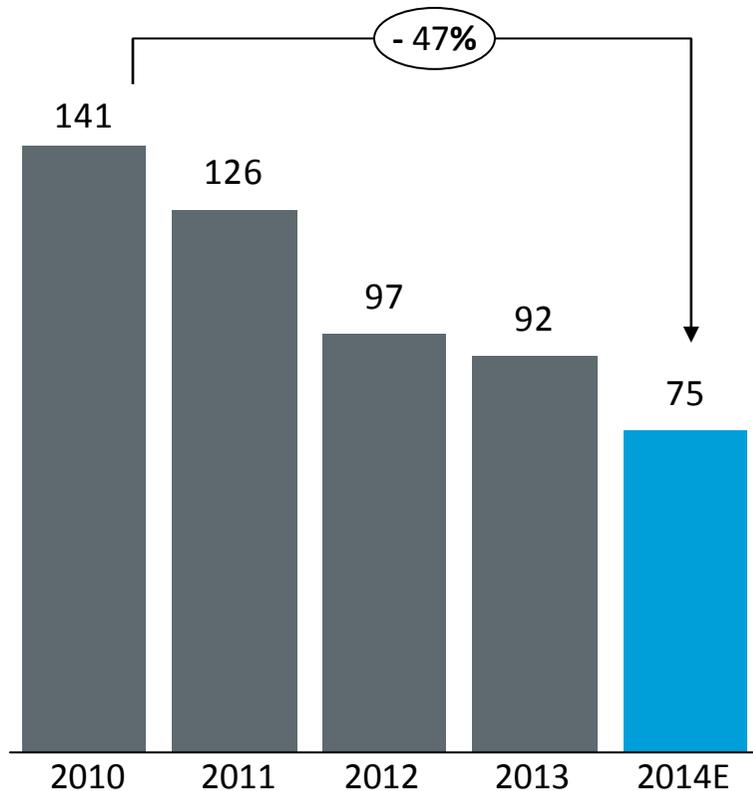
## Operational strategy actions

- Legacy reduction
- Straight Through Processing
- Digitalisation
- Online servicing

1. Excluding ABN AMRO Insurance

# Legacy reduction reduces risk and costs

## Reduction of IT systems at GI<sup>1</sup>



- Number of IT interfaces is a real cost driver
- Reduces complexity
- Simplicity reduces risk and is cost efficient
- Acceleration of product development

1. Excluding ABN AMRO Insurance

# Straight Through Processing is faster and cost efficient

Done  
20%

- OHRA
  - Delta Lloyd retail
  - External parties GI retail
  - Data supply at GI Income and Protection mainly digital (>70%)
- 

Under  
construction  
15%

- STP and online claim handling GI retail
  - Implementing a portal at GI Income and Protection to process salary and absenteeism
- 

To be done  
65%

- GI Commercial
- GI Income and Protection for both employers, intermediaries and employees
- Claims at GI Commercial and GI Income and Protection

# Digitalisation reduces costs and improves customer satisfaction



- Digitalisation of all internal documentation (95%)
- Digitalisation of all external communication (90% in 2016)
  - *all client documentation OHRA available online*
  - *30% reduction in incoming physical letters by end 2014*
  - *digital policies via online portals*

# Online servicing empowers the consumer



- Sophisticated technology is provided to the client
  - *changes in policies and claims via portal*
  - *claims app*
- Client is in control

# Attractive business with value to be unlocked

Challenges behind us, confident about the future

General Insurance favourable under Solvency II

Sharp focus results in positive COR and ROE development

Operational strategy and claims management drive COR improvement

# Q&A

Wrap-up & Closing remarks

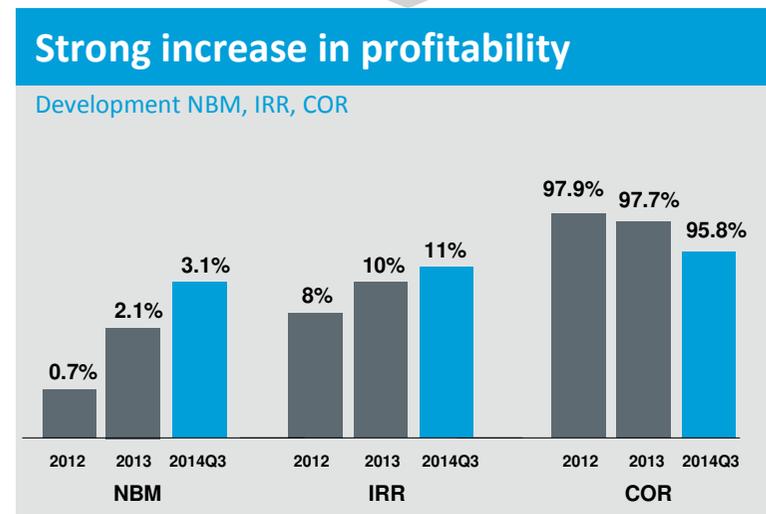
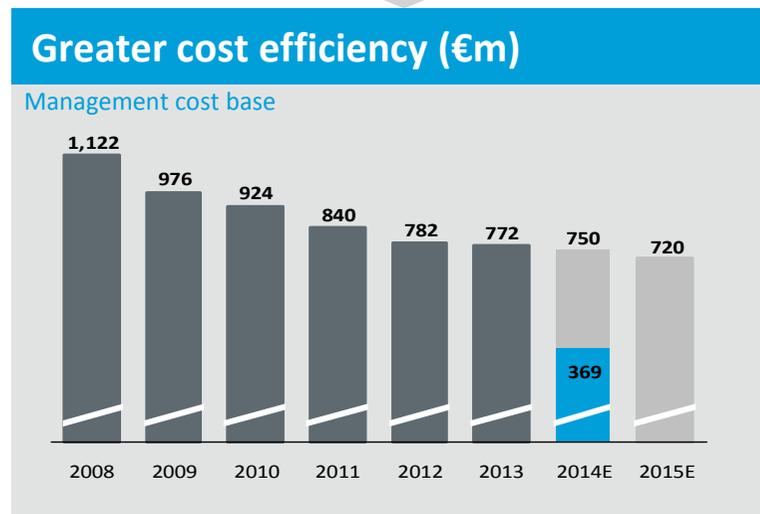
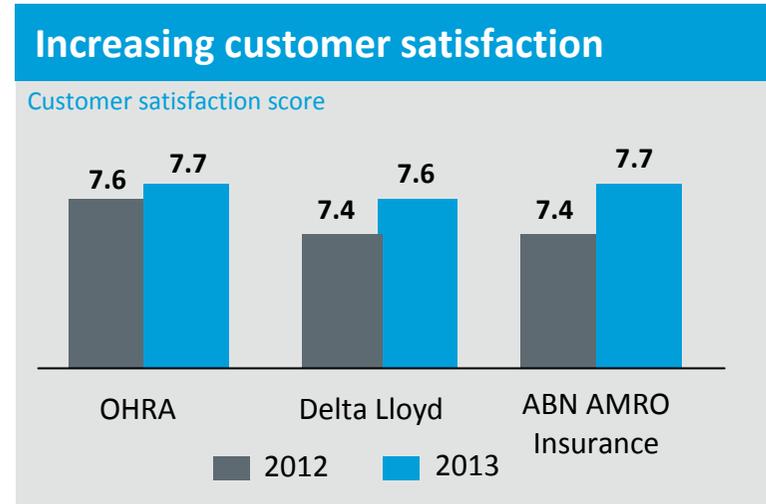
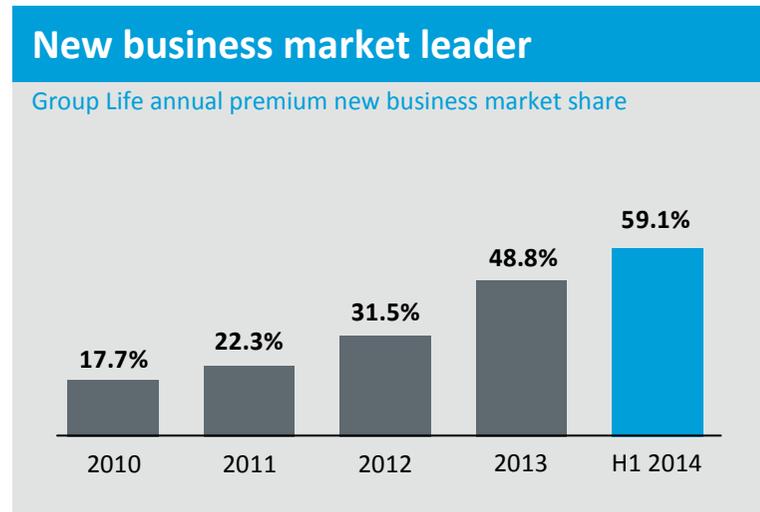
*Firing on all cylinders*



**Niek Hoek – Chief Executive Officer**

**delta lloyd**

# Firing on all cylinders



delta lloyd

# Continued focus on profitable and organic growth

**Dutch market leader in new business and customer performance**

**Economic capital in mid-range of appetite level**

**Using real asset returns in operational result better reflection of reality**

**Stable dividend, aim to reduce premium on scrip dividend**

# Lunch

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