delta lloyd

Interim management statement
First three months of 2016

Amsterdam, 18 May 2016

Solid commercial performance; ongoing focus on capital and operational progress

Capital

- Solvency II Standard Formula (SF) ratio down to 127% (year-end 2015: 131%)
- *Pro forma* Solvency II Standard Formula (SF) ratio after rights issue at 154% and within target range of 140-180%
- Shareholders' funds (IFRS) at € 2.8 billion (year-end 2015: € 2.6 billion)
- *Pro forma* Shareholders' funds (IFRS) after rights issue at € 3.5 billion

Commercial

- Solvency II Life value new business (SII VNB) of € 22 million
- Solvency II New business margin (SII NBM) at 3.7%
- Solvency II Life new business, SII NAPI[1] stable at € 132 million (3M 2015: € 132 million)
- Combined ratio (COR) at 97.0%[2] slightly up but better than target of 98% (3M 2015: 96.6%[2]).
- General insurance: Gross written premiums (GWP) increased to € 465 million[3] (3M 2015: € 434 million[3])

Hans van der Noordaa, chairman of the Executive Board:

"We welcome the support of investors for the rights issue, which brings us now within our target range of 140 – 180%. The sharp fall in interest rates in the quarter adversely impacted the capital position. This was partly mitigated by progress on our capital management actions. The commercial momentum with our clients in Life and General Insurance continues. We are focussed on further unlocking the value of the franchise by improving commercial and operational performance and we will make sure that all product lines deliver acceptable returns."

Key figures

(in millions of euros, unless otherwise stated)	3M 2016	3M 2015	% Change
Solvency II Life value new business	22	n/a	n/a
Solvency II NAPI	132	132	1%
Combined ratio	97.0%	96.6%	0.4pp
GWP General Insurance	465	434	7%
Solvency II Standard formula (SF) ratio	127%	131%*	-4pp
Solvency II Standard formula (SF) *pro forma* ratio after rights issue	154%	n/a	n/a
Shareholders' funds (IFRS) after non-controlling interests	2,805	2,569*	9%
Pro forma Shareholders' funds (IFRS) after rights issue	3,454	n/a	n/a

*compared to year-end 2015

All notes are on page 8

Overview of first three months of 2016

During the first quarter, we executed the rights issue, which was an important step in the overall capital plan to reach the targeted SII ratio range of 140 – 180%. The *pro forma* SF ratio, after the rights issue, was 154%. The effect of the completed rights issue will be reported at our half year results. During the first quarter, net capital generation and management actions added to our capital position, partly mitigating the effect of adverse market conditions. Subject to market conditions, the sale of the shareholding in Van Lanschot by way of a marketed offering is expected to have an 8% points increase in the SF ratio. The implementation of a Partial Internal Model by 2018, another important aspect of the capital plan, is developing as planned.

We have an ongoing commitment to product profitability and cost efficiency through our focus on margin over volume. In Life new business, we reported good margins at 3.7% and the SII NAPI amounted to € 132 million, which provided a positive contribution to capital generation. In General Insurance, the COR was slightly higher (up 0.4% points to 97.0%), but still better than our target of 98%. In this segment, the overall margin is solid, but we need to focus on areas of underperformance. To do so, we initiated a performance improvement programme.

We continuously strive to improve the quality of service to our customers and we actively respond to new market developments such as the introduction of the general pension fund APF. Delta Lloyd APF will offer company pension funds a solution to the growing administrative and regulatory burden. We expect to receive a license from the Dutch regulator for the newly introduced Delta Lloyd APF general pension fund in the coming months. We already see a clear interest from potential APF clients.

Capital management

- SF ratio down to 127% (year-end 2015: 131%)
- *Pro forma* SF ratio after rights issue at 154%
- Shareholders' funds (IFRS) up 9% to € 2.8 billion (year-end 2015: € 2.6 billion)
- *Pro forma* Shareholders' funds (IFRS) after rights issue at € 3.5 billion

During the first quarter, the SF ratio decreased by 4% points to 127%. Net capital generation delivered c. 2% points increase. The run off regarding the equity transitionals resulted in c. 2% points decrease during the quarter. Market movements had a c. 10% points negative impact on the SF ratio. The latter was partly mitigated by realised management actions, with a positive effect on the SF ratio of c. 6% points. Realised management actions include reduced equity, currency and credit spread exposures as well as modelling enhancements in Belgium. More management actions are planned for the remainder of 2016.

The negative impact of adverse market conditions of c. 10% points mainly consisted of:
- A significant part of the large decrease in interest rates was covered by the hedge programme at business unit level. Nonetheless, there was a negative impact due to the flattening of the Solvency II VA curve and due to increased spreads relating to the valuation of our residential mortgage portfolio ;
- An increase in non-eligible Own Funds, mainly caused by the increase in the value of restricted Tier 1 and Tier 2 (i.e. subordinated debts) due to lower interest rates. Subordinated debt at group level is not included in the interest hedge programme. The amount of non-eligible Own Funds will reduce as a result of the executed rights issue.

At end of March, Shareholders' funds (IFRS) had increased by € 236 million to € 2.8 billion (year-end 2015: € 2.6 billion), due to a favourable credit spread development between the Collateralised AAA curve and the swap curve.

Transition to Solvency II metrics

The year 2016 marks the start of Solvency II, which for Delta Lloyd as well as other insurers, requires a further evolution of reporting metrics to further align with Solvency II requirements. In particular VNB together with respective volumes and margins have been impacted. In 2016 Delta Lloyd will report on both old and new regimes in order to provide clarity on key trends. The old regime was applicable in 2015 (and prior to 2015) and the new regime applies as of 2016.

Specifically for VNB, a number of changes to the methodology were implemented during the first quarter to further align with Solvency II requirements. Main changes include the application of Solvency II contract boundaries, the removal of frictional costs and the replacement of cost of non-hedgeable risk with risk margin. Furthermore, look-through benefits are not included.

The application of contract boundaries also impacts new business volumes. New business under the old regime included new contracts and extensions to existing contracts. New business under the new regime includes new contracts and renewals of existing contracts, whereas extensions are recognised as existing business. These changes are reflected in our New Annualised Premium Income (NAPI). In the first quarter NAPI is higher under the new regime which is due to a higher NAPI for renewals than NAPI for extensions to existing contracts.

Life Insurance

- Value of new business (SII VNB) at € 22 million
- SII New business margin (SII NBM) was 3.7%
- SII NAPI stable at € 132 million (3M 2015: € 132 million)
- Shift to DC continued, SII NAPI in DC was € 31 million (3M 2015: € 28 million)

Life SII VNB was € 22 million and taking into account a capital strain of € 13 million, the net capital generated due to new business sales was € 9 million. The corresponding SII NBM was 3.7% and was driven by Belgian protection products and profitable DB pension renewals.

SII VNB was slightly lower than VNB under the old regime, reflecting a negative impact of contract boundaries for DC Pension, partly offset by a positive contribution of DB Pension renewals.

For the quarter, VNB and NBM under the old regime showed an increase mainly due to the Belgian protection products, partly offset by a reduction for DC Pension which largely reflected a model correction. The impact of this model correction was a decrease of VNB of around € 4 million.
SII NAPI was stable at € 132 million (3M 2015: € 132 million), the increase in SII NAPI for DB products is due to the fact that renewals are now included in this number. SII NAPI for DC increased by 8%.

General Insurance

- COR was better than target at 97.0% (3M 2015: 96.6%)
- GWP up 7% to € 465 million

Overall, the COR was better than target. The COR in Income & protection decreased by nearly 6% points to 73.3%, reflecting some prior year reserve releases and lower commissions. The COR in Property & Casualty (P&C), increased by 1.3% points to 101.8%, reflecting adverse large claims experience in the quarter. In the coming months we are reviewing the performance of all of our general insurance product lines, to ensure that each delivers an acceptable return. For example, we expect the COR of personal general insurance products to be positively affected by the strategic partnership with service provider Voogd & Voogd we announced in March. The increase of GWP in General Insurance is mainly attributable to increased premium production at Authorised Agents.

Asset Management

- Net outflow of € 354 million (3M 2015: inflow of € 12 million)
- Assets under management € 73 billion (year-end 2015: € 70 billion)

In the Asset Management segment, there was a net outflow on third party base (€ -354 million) due to an outflow of one large mandate and outflows in retail funds. In asset management, we plan to concentrate more on institutional clients.

Bank

- Production of new mortgages up € 289 million (3M 2015: € 258 million)
- The portfolio of mortgages was stable at € 13.3 billion (year-end 2015: € 13.3 billion)
- The savings portfolio was stable at € 3.4 billion (year-end 2015: € 3.4 billion)

In the first quarter, the production of new mortgages increased, supported by the recovering Dutch housing market. The portfolio of Bank Annuity and savings products stabilised, reflecting our focus on margin over volume. There is a continued focus on improving operational efficiency and client satisfaction, also by developing new services such as Instant Payment. This is a service which allows customers to instantly transfer money from their savings account to their bank account at another bank.

Outlook

We will continue to execute the capital plan that we announced with the rights issue. We are progressing with the sale of our shareholding in Van Lanschot by way of a marketed offering in the course of 2016. Further Asset & Liability Management (ALM) actions will be executed to release capital and reduce volatility. Including the benefit of actions already implemented, the programme of ALM actions will deliver a total of 10-15% points uplift. After this, we expect to reach a solvency position in the top half of our target range, which gives us a solid foundation from which to execute our strategy and deliver customer-focused and profitable new business.

We are committed to operational cost discipline and our focus is on improving the operational performance by an ongoing review of the business lines. We are on track to meet our target for operational expenses of € 610 million for 2016.

In February 2016, alongside the rights issue we presented our strategy and capital plan including targets. During our Investor Day on 27 May 2016, we will provide a further update and details regarding the progress of our strategy execution and our capital plan.

Financial calendar 2016

Date	Event
19 May 2016	Annual General Meeting
27 May 2016	Investor Day
17 August 2016	Publication of half-year 2016 results
16 November 2016	Publication of Interim management statement first nine months of 2016

Interim Management Statement audio call on 18 May 2016

On Wednesday 18 May 2016 at 09.30 am (CET) Delta Lloyd will host a conference call for analysts, which can also be followed via audiocast on our website.
Conference call: 18 May 2016, 09.30 am (CET)
+31 20 716 84 27 (English language), PIN code 31026636#
This press release is also available at www.deltalloyd.com.

Investor Day 2016

Our Investor Day will take place on Friday 27 May in London. All presentations are in English and will be webcasted on the Delta Lloyd website (www.deltalloyd.com). The presentations will be available on our website on 27 May 2016 from 07.30am (CET).

More information about this press release:

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1. Solvency II - Standard Formula

(in millions of euros, unless otherwise stated)	3M 2016 pro forma incl rights issue (€ 649m)	3M 2016	Year-end 2015
Available Own funds	4,695	4,046	4,039
non eligible Own funds	112	274	118
Eligible Own funds	4,582	3,772	3,920
Required Economic Capital	2,970	2,970	3,001
Surplus/Deficit	1,612	802	919
SF ratio	**154%**	**127%**	**131%**

2. Overview value new business (VNB)

(in millions of euros)	3M 2016 - SII	3M 2016 - MC*	3M 2015 - MC*	Change
The Netherlands	5.5	-1.7	1.1	-262%
Belgium	16.9	26.3	10.5	150%
Total VNB	**22.3**	**24.6**	**11.6**	**112%**
Individual life	16.3	19.7	8.6	128%
Group defined benefit	1.4	-4.6	-8.7	47%
Group defined contribution	4.7	9.5	11.7	-19%
Total VNB	**22.3**	**24.6**	**11.6**	**112%**

* VNB based on market consistent (MC) techniques, including an uncertainty margin on economic capital and frictional costs based on Solvency I capital requirements

3. Overview new business premium income (SII / SI NAPI)

(in millions of euros)	Solvency II 3M 2016	3M 2015	Change	Solvency I 3M 2016	3M 2015	Change
Total new annual premium	121	113	7%	79	72	9%
Total new single premium	113	188	-40%	186	237	-22%
Total NAPI	**132**	**132**	**1%**	**98**	**96**	**2%**
The Netherlands	42	44	-5%	72	70	4%
Belgium	90	87	3%	25	26	-4%
Total NAPI	**132**	**132**	**1%**	**98**	**96**	**2%**
Individual life	39	44	-12%	20	25	-20%
Group defined benefit	63	59	6%	14	21	-36%
Group defined contribution	31	28	8%	64	50	29%
Total NAPI	**132**	**132**	**1%**	**98**	**96**	**2%**

* NAPI = 10% single premium + annual premium

4. Combined ratio[3]

(in millions of euros, unless otherwise stated)	3M 2016	3M 2015	Change
Property & casualty	101.8%	100.5%	1.3pp
Income protection	73.3%	79.2%	-5.9pp
Total COR	**97.0%**	**96.6%**	**0.4pp**

About Delta Lloyd NV

Delta Lloyd provides life insurance, pensions, general insurance, asset management and banking products and services to 4.2 million customers in the Netherlands and Belgium. We use multiple channels to distribute our products and services under well-known and respected brands: Delta Lloyd, BeFrank, OHRA and ABN AMRO Insurance. We have 4,130 full-time employees, of which 3,647 are in the Netherlands and 483 in Belgium. Delta Lloyd is listed on Euronext Amsterdam and Brussels.

Important information

- This interim management statement contains figures for the first three months of 2016 for Delta Lloyd NV ('Delta Lloyd'), inclusive of Delta Lloyd Levensverzekering, Delta Lloyd Schadeverzekering, ABN AMRO Verzekeringen, Delta Lloyd Life Belgium, Delta Lloyd Asset Management and Delta Lloyd Bank Netherlands.
- Certain statements contained in this press release that are not historical facts are "forward-looking statements". Forward-looking statements are typically identified by the use of forward looking terminology such as “believes”, “expects”, “may”, “will”, “could”, “should”, “intends”, “estimates”, “plans”, “assumes”, “anticipates”, “annualised”, “goal”, “target” or “aim” or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy that involve risk and uncertainties. The forward-looking statements in this press release are based on management’s beliefs and projections and on information currently available to them. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond Delta Lloyd's control and all of which are based on management's current beliefs and expectations about future events.
- Forward-looking statements involve inherent risks and uncertainties and speak only as of the date they are made. Delta Lloyd undertakes no duty to and will not update any of the forward-looking statements in light of new information or future events, except to the extent required by applicable law. A number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement as a result of risks and uncertainties facing Delta Lloyd and its subsidiaries. Such risks, uncertainties and other important factors include, among others: (i) changes in the financial markets and general economic conditions, (ii) changes in competition from local, national and international companies, new entrants in the market and self-insurance and changes to the competitive landscape in which Delta Lloyd operates, (iii) the adoption of new, or changes to existing, laws and regulations including Solvency II, (iv) catastrophes and terrorist-related events, (v) default by third parties owing money, securities or other assets on their financial obligations, (vi) equity market losses, (vii) long- and/or short-term interest rate volatility, (viii) illiquidity of certain investment assets, (ix) flaws in underwriting assumptions, pricing and/or claims reserves, (x) the termination of or changes to relationships with principal intermediaries or partnerships, (xi) the unavailability and unaffordability of reinsurance, (xii) flaws in Delta Lloyd’s underwriting, operating controls or IT systems, or a failure to prevent fraud, (xiii) a downgrade (or potential downgrade) of Delta Lloyd’s credit ratings, and (xiv) the outcome of pending, threatened or future litigation or investigations, or other factors referred to in this press release.

- Should one or more of these risks or uncertainties materialise, or should any underlying assumptions prove to be incorrect, Delta Lloyd‘s actual financial condition or results of operations could differ materially from those described herein as anticipated, believed, estimated or expected.
- Please see the Annual Report for the year-ended 31 December 2015 for a description of certain important factors, risks and uncertainties that may affect Delta Lloyd’s businesses.

[1] New Annualised Premium Income, 10% of new single premium, 100% of new annual premium

[2] Excluding terminated and run-off activities and market interest movements

[3] Excluding terminated and run-off activities