**delta lloyd groep**

**Press release** Amsterdam, 3 November 2011

# First nine months 2011: Delta Lloyd shows strong commercial performance

## Effective risk management limits impact of volatile financial markets

### Solid year-on-year commercial performance in insurance and banking

- Total gross written premium 14% higher at € 4.3 billion[1]
- Strong increase in Life gross written premium: up 18% to € 3.1 billion[1]
- New Annual Premium Income (NAPI)[2] up 21% to € 369 million
- Gross written premium General Insurance 5% higher at € 1.2 billion
- *Banksparen* balances at € 1 billion (up 68%), with new mortgages up 43%

### IGD Group Solvency within target range at 163% (half-year 2011: 203%), despite sharp drop in ECB AAA curve and equity market

- Regulatory solvency insurance entities at 193% (half-year 2011: 237%)
- Active hedging strategy reduces the risk exposures, whilst maintaining upside potential
- Positive effect from conditional sale of German business not yet included
- The IGD Group solvency is estimated at 177% as of end-October

### Shareholders' funds at € 3.8 billion (-4% compared to half-year 2011) as insurance liabilities were impacted by lower interest rates, the marked-to-market valuation of the equity portfolio declined and an interim dividend was paid

- Exposure to (sub-)sovereign debt southern Europe and Ireland further reduced to € 319 million
- The Group European embedded value as of end-September is estimated at € 4.1 billion

CEO **Niek Hoek**: "Delta Lloyd continues to record strong commercial performance over the first three quarters of 2011, among others showing double digit growth in Life premium due to successful inflow of new group pension contracts. Delta Lloyd's capital position remains robust due to strong risk management and investment performance, against a background of volatile financial markets."

# Growth in Life, General insurance and banking

Delta Lloyd continued to record a solid commercial performance in the third quarter of 2011, with both the insurance and banking activities showing accelerated growth. Gross written premium increased by 14%, reflecting growth in Life and General Insurance.

[1] Excluding Germany

[2] NAPI is equal to the received regular Life premiums plus 10% of the single premiums.


mediarelations@deltalloyd.nl
www.deltalloydgroep.com

Delta Lloyd NV
Amstelplein 6
1096 BC Amsterdam

## First nine months 2011: Delta Lloyd shows strong commercial performance

### Gross written premium[3]

| *(in millions of euros, year to date)* | *Q3 2011* | *Q3 2010* | *Change* |
|---|---|---|---|
| **Total** | **4,304** | **3,784** | **14%** |
| Life | 3,087 | 2,621 | 18% |
| General Insurance | 1,218 | 1,163 | 5% |

### Life insurance: up 18%

Life premium increased by 18%, in particular due to the inflow of new group pension contracts (€ 861 million up until the third quarter) in the Netherlands. Life premium income in Belgium decreased by 6% to € 551 million (Q3 2010: € 584 million). In 2010 premium income was higher due to a large single premium pension contract that was recorded.
NAPI[3] showed a strong increase by 21% to € 369 million (Q3 2010: € 304 million). This was the result of growth in single premium income of 33% to € 1,947 million (Q3 2010: € 1,460 million) as well as a rise in annual premium of 10% to € 174 million (Q3 2010: € 158 million) from new contracts and higher indexations. The internal rate of return (IRR) in the first nine months was 9%.

### General insurance: up 5%

General insurance premium income increased 5% during the nine months under review to reach € 1.2 billion, mainly due to growth in niche markets. New business sales increased by 4% tot € 140 million (Q3 2010: € 135 million).
Year to date, the Combined ratio (COR) improved slightly. However, meeting the 98% COR target at year-end seems overly ambitious, as most measures initiated in 2011 will only be fully reflected in the 2012 results.

### Asset management and banking: successful in ‘banksparen’, mortgages and savings

### Banking

| *(in millions of euros, year to date)* | *Q3 2011* | *Q3 2010* | *Change* |
|---|---|---|---|
| **Total mortgage portfolio (balance at end of period)** | **16,348** | **15,290** | **7%** |
| - Netherlands | 12,413 | 11,316 | 10% |
| - Belgium | 3,935 | 3,974 | -1% |
| **Mortgage origination (nine-month-period)** | **1,695** | **1,182** | **43%** |
| - Netherlands | 1,352 | 869 | 56% |
| - Belgium | 343 | 313 | 10% |
| **Savings balance (at end of period)** | **6,768** | **5,885** | **15%** |
| ‘Banksparen’ balance (at end of period) | 1,036 | 618 | 68% |

[3] Excluding Germany


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Delta Lloyd NV
Amstelplein 6
1096 BC Amsterdam

As reported in previous quarters, Delta Lloyd continues to strengthen its position in banking. Growth persisted in both the savings market and in mortgages. A very successful savings campaign in the Netherlands contributed to an overall increase in savings of 15% to € 6.8 billion. 'Banksparen' balances increased by 68% compared to the same period in 2010 reaching a total of over € 1 billion.
New mortgages rose by 43% compared to the first nine months of 2010, mainly driven by Dutch government-guaranteed (NHG) mortgages. In the Netherlands, € 1.4 billion in new mortgages were originated. As a result, Delta Lloyd's market share in the Dutch mortgage market rose to 3% compared to 2.5% in the third quarter of 2010. In Belgium, mortgage origination amounted to € 0.3 billion.

The net inflow of new assets at Asset Management in the first nine months of 2011 amounted to € 813 million (Q3 2010 € 910 million)[4].

# Equity and solvency: effective risk-return management limits impact of volatile financial markets

### Solvency and shareholders' funds

While Delta Lloyd's capital position remains strong, it has however been affected by the wider developments in the financial markets. The strong outperformance of Delta Lloyd's equity and fixed income portfolio versus the benchmark, as well as active risk management have effectively maintained the IGD Group solvency level within the target range of 160-175%. The decline in the IGD Group solvency to 163% compared to half-year 2011 (203%) was mainly caused by the sharp decline of the ECB AAA curve (96 bp at the 10-year point to 2.51%) and the effects of equity market volatility during the period. Both available and required capital have been impacted by changes in insurance liabilities, the decrease in the equity portfolio and the interim dividend payment (€ 56 million).

The regulatory solvency for insurance entities stood at 193% as at the end of September (half-year 2011: 237%). This ratio is commonly used in the insurance market and differs from the IGD Group solvency as it does not include the capital of the holding company and the other activities.
The IGD Group solvency is estimated at 177% as of end-October, mainly as a result of an increase in the ECB AAA curve (31 bp at the 10-year point).

Measures to improve protection against market developments include the hedging of Delta Lloyd's own risk equity portfolio. Options and futures offered substantial downside protection during the quarter. Furthermore, in the third quarter swaps were used to lengthen the duration of our assets. As a result, the sensitivities of the IGD Group solvency to interest rate and equities movements have changed materially.

[4] Amended for an asset re-allocation from fixed income to mortgage investments of approximately € 1 billion from Delta Lloyd Asset management to Delta Lloyd Bank.


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www.deltalloydgroep.com
Delta Lloyd NV
Amstelplein 6
1096 BC Amsterdam

## Sensitivities for IGD Group available capital[5]

| *(in millions of euros, unless otherwise stated)* | *Q3 2011* | *Half-year 2011* |
|---|---|---|
| **ECB AAA interest rate (10-year point)** | **2.51%** | **3.47%** |
| **Interest rate risk** | | |
| +100 bps | 246 | 156 |
| - 100 bps | - 363 | - 437 |
| **Credit Risk** | | |
| + 50 bps | - 166 | - 145 |
| - 50 bps | 179 | 158 |
| **Equity risk** | | |
| + 10% | 306 | 412 |
| -10% | - 258 | - 413 |
| **Property** | | |
| + 10% | 154 | 168 |
| - 10% | - 154 | -168 |

Shareholders' funds in Delta Lloyd's marked-to-market IFRS balance sheet decreased to € 3.8 billion in Q3 2011, of which 89% consist of tangible assets. This decrease (compared to half-year 2011) was mainly caused by the decline in the equity portfolio, the increase of the value of insurance liabilities and the interim dividend payment in September 2011. The aforementioned decrease was largely offset by an increase in the value of the bond portfolio due to the declining interest rates.

The Group European embedded value as per the end of September is estimated at € 4.1 billion.

The core tier 1 ratio of Delta Lloyd's banking activities remained stable at 9.8%.

## Shareholders' funds and solvency

| *(in millions of euros, unless otherwise stated)* | ***Q3 2011*** | ***Half-year 2011*** | ***Change*** |
|---|---|---|---|
| Total share capital and reserves | 3,845 | 4,016 | -4% |
| of which 'hard' capital *(tangible assets)* | 3,428 | 3,596 | -5% |
| IGD Group Solvency | 163% | 203% | -40 pp |
| Regulatory solvency insurance entities | 193% | 237% | -44 pp |
| BIS ratio | 12.2% | 12.5% | -0.3 pp |
| Core Tier 1 | 9.8% | 10.0% | -0.2 pp |

[5] These sensitivities are an indication at a given moment in time, Delta Lloyd's active risk-return management will influence the actual impact of market movements on the capital.


mediarelations@deltalloyd.nl
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Delta Lloyd NV
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1096 BC Amsterdam

## Exposure to southern Europe and Ireland

Delta Lloyd Group reduced its bond position in Irish and southern European (sub-)sovereign bonds in the third quarter of 2011 to € 319 million, compared to € 1.0 billion at half-year 2011.

Given the marked-to-market valuation of Delta Lloyd Group's IFRS balance sheet, both the realised and unrealised results of the total bond portfolio are ultimately included in the shareholders' funds.

The table below gives an overview of the outstanding own risk positions in (sub-)sovereign debt.

### Market value exposure on (sub-)sovereigns[6]

| *(in millions of euros)* | *Q3 2011* | *Half-year 2011* |
|---|---|---|
| Greece | 31 | 52 |
| Ireland | 25 | 20 |
| Italy | 167 | 827 |
| Portugal | - | - |
| Spain | 96 | 100 |
| **Total** | **319** | **998** |

The default risk in the above-mentioned (sub-)sovereign bonds is hedged by means of credit default swaps on Spain and Italy, with a value of € 303 million and € 168 million respectively as of end-September. The credit default swaps are not included in the table above.

## Sale of German business

On 30 September 2011, Delta Lloyd Group announced the sale of its German business to Nomura. The transaction comprises the transfer of all the assets and liabilities of Delta Lloyd Germany and the sale of all shares in other German subsidiaries. The final transaction price will depend on the developments of interest rates, credit spreads within the bond portfolio of the German activities and the real estate portfolio.

The transaction is subject to a minimum price at closing. Delta Lloyd has the right to withdraw from the agreement if the minimum price is not achieved. Based on that minimum price, and absent a significant drop in the value of the real estate portfolio, Delta Lloyd expects the transaction (including tax benefits) to result in a positive IFRS result of at least € 65 million and an increase of IGD Group solvency by around 12% (as at 30 June 2011). The transaction is subject to the receipt of all necessary regulatory approvals and expected to close by mid-2012.

## Cost savings program on track

Delta Lloyd Group remains well on track to beat its operational cost target of € 900 million for 2011. The € 850 million target for year-end 2012 may already be in reach earlier.

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[6] Excluded from the overview is an amount of € 192.9 million (half-year 2011: € 179.5 million) relating to issued loans that Delta Lloyd Germany has in Spanish sub-sovereign authorities.


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Amstelplein 6
1096 BC Amsterdam

### Key figures per ordinary share

| *(in euros)* | *Q3 2011* |
|---|---|
| Closing price on 30 September 2011 | 11.95 |
| Shareholders' funds | 22.76 |

### Want to know more about this press release?

**Media relations**
Martijn Donders
+31 (0)20 594 44 88

**Investor relations**
Rozan Dekker
+31 (0)20 594 96 93

### Conference call for analysts and investors
Executive Board chairman Niek Hoek and CFO Emiel Roozen will provide a brief commentary on this press release during a conference call (in English) for analysts and investors. The call will be held on Thursday 3 November at 10.30 a.m. CET on +31 (0)10 294 42 71. This number can be reached from 10.15 a.m.

### About Delta Lloyd Group
Delta Lloyd Group is a financial services provider offering life insurance, general insurance, asset management and banking products and services. Delta Lloyd Group's target markets are the Netherlands and Belgium. The Group operates primarily under the brand names of Delta Lloyd, OHRA and ABN AMRO Insurance in the Netherlands, and under the Delta Lloyd brand name in Belgium. Delta Lloyd Group employs 5,515 permanent staff (FTE) and is listed on NYSE Euronext Amsterdam.

## Important information

- Certain statements contained in this press release that are not historical facts are "forward-looking statements". These forward-looking statements 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 Group'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 Group 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 Group 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 Group operates, (iii) the adoption of new, or changes to existing, laws and regulations, (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 Group's underwriting, operating controls or IT systems, or a failure to prevent fraud, (xiii) a downgrade (or potential downgrade) of Delta Lloyd Group's credit ratings, (xiv) the outcome of pending, threatened or future litigation or investigations, and (xv) a conflict between Aviva and minority shareholders in Delta Lloyd Group.

- Should one or more of these risks or uncertainties materialise, or should any underlying assumptions prove to be incorrect, Delta Lloyd Group '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 2010 for a description of certain important factors, risks and uncertainties that may affect Delta Lloyd Group's businesses.

- The figures in this press release have not been audited.


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