

Delta Lloyd requests court ruling on DNB measures

- **De Nederlandsche Bank (DNB) has fined Delta Lloyd Levensverzekering NV.**
- **DNB has asked Delta Lloyd to “dismiss” its CFO by 1 January 2016 at the latest.**
- **Delta Lloyd believes these measures are based on incorrect assumptions and considers them disproportionate.**
- **A review by Delta Lloyd’s Supervisory Board confirmed that the actions of Delta Lloyd were in line with its risk policy and that no regulation was violated.**

Background

On 2 July 2012, DNB introduced a fixed interest rate to be used when calculating insurance liabilities with terms exceeding 20 years¹. In the week before this interest rate was introduced, Delta Lloyd decided to reduce its interest rate risk hedges. DNB performed an investigation of whether Delta Lloyd’s decision-making process at that time was in accordance with the requirements of so-called ‘sound operational management’².

As soon as the DNB investigation began, Delta Lloyd’s Supervisory Board instituted its own review of the same facts and circumstances. For this the Supervisory Board engaged external legal and accountancy expertise.

Delta Lloyd Supervisory Board chairman Jean Frijns: “For Delta Lloyd it is regrettable that we have to inform you of a difference of opinion with DNB. We cannot reconcile DNB’s view with the facts as established by us. We have no doubt that Delta Lloyd acted at all times in the interests of all stakeholders. That is why we have chosen to take these legal steps, because it is the only way to obtain an independent ruling on this difference of opinion. We will continue to work towards a constructive regulatory relationship with DNB and the enhancement of mutual trust. We do this with the fullest confidence in the company, its executives and employees.”

DNB measures

On the basis of its investigation of Delta Lloyd Levensverzekering NV, DNB has imposed a fine of € 1.2 million, increased by an amount of € 21.6 million representing the financial gain which it claims Delta Lloyd Leven achieved, making a total of € 22.8 million.

On the basis of the facts that were investigated, DNB also reassessed the ‘suitability’² of Delta Lloyd’s CFO, Emiel Roozen, and concluded that Delta Lloyd should dismiss him by 1 January 2016 at the latest. DNB has concluded that Emiel Roozen’s ‘integrity’² is beyond dispute.

¹ This involves the introduction of the Ultimate Forward Rate (UFR) for Dutch insurers. The UFR is a method of extrapolating the yield curve for maturities of 20 to 60 years, which is used in calculating solvency.

² As defined in the Dutch Financial Supervision Act; see notes on legal terms at the end of this press release.

Outcome of DNB investigation

DNB is of the opinion that the decision-making concerning the reduction by Delta Lloyd of its interest rate risk hedges was conducted without due care. DNB found that Delta Lloyd should not have reduced its hedges at that time and that this was inconsistent with its risk policy. DNB claims that Delta Lloyd acted in order to gain an advantage from confidential information. DNB places its conclusions in the context of its critical view of Delta Lloyd's risk management.

Outcome of Delta Lloyd's Supervisory Board review

The Supervisory Board interprets the facts and circumstances differently from DNB and has reached different conclusions:

1. Delta Lloyd's actions were not in contravention of the law or regulations.
 - Delta Lloyd has a different opinion than DNB regarding the confidential nature of the information.
2. Delta Lloyd's actions were consistent with its risk policy.
 - Delta Lloyd's solvency was such that, on the basis of its risk policy, hedges of downward equity and interest rate risks could be reduced.
 - Delta Lloyd's purpose was not financial gain, but to reduce the hedge on interest rate risks.
3. The actions of Delta Lloyd were focused on the interests of its stakeholders, and were in accordance with the applicable risk management policy.

Delta Lloyd measures

As a result of its own review, Delta Lloyd further concluded there was a possibility for improvement in the area of risk awareness, compliance and internal governance. In line with best practice at financial corporations, the risk management function will be strengthened at all levels, including the Executive Board. In relation to that, it is the intention of the Supervisory Board to soon nominate a Chief Risk Officer (CRO). The Supervisory Board considers the measures taken as a result of its review adequate and appropriate. Therefore the Supervisory Board considers DNB's far-reaching measures, including the dismissal of the CFO, unjustified and disproportionate.

Legal proceedings and the impact of the measures

DNB and Delta Lloyd's Supervisory Board have reached other conclusions based on their investigations. The consequences for Delta Lloyd are drastic and in the view of the Supervisory Board too far-reaching. For this reason, Delta Lloyd has decided to submit DNB's measures to the court and request it to rule on the interpretation of the facts and circumstances and the associated conclusions, including the "dismissal" of the CFO, as well as (the calculation of the total amount of) the fine.

The Supervisory Board has expressed its full confidence in Emiel Roozen, who was reappointed as CFO with DNB's approval on 22 May 2014 and therefore will remain in office pending the legal proceedings.

Conference call for media, analysts and investors

On 22 December 2014 at 9:00 a.m. (CET) Jean Frijns, Chairman of Delta Lloyd's Supervisory Board, will host a conference call (in English) for media, analysts and investors to provide further details about this press release.

The dial-in number for this conference call is 31 (0)20 531 5841, code 348890#.

More information about this press release:

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About Delta Lloyd NV

Delta Lloyd has been a trusted partner for insurance, pensions, investing and banking since 1807. It is our goal to offer financial security, now and in the future. We deliver clear, reliable and contemporary products and services that meet our customers' needs and create value for them, our shareholders and our employees. Our primary markets are the Netherlands and Belgium. In the Netherlands, we operate under the Delta Lloyd, OHRA and ABN AMRO Verzekeringen brands, while in Belgium we use the Delta Lloyd brand. We employ 5,085 (FTE) permanent staff, of which 3,825 in the Netherlands, 1,077 in Belgium and 184 in Germany. In 2013, we achieved a premium income of € 4.7 billion and a net operational result of € 430 million. Our shareholders' funds amount to € 2.7 billion and we manage investments worth € 83 billion. Delta Lloyd is listed on Euronext Amsterdam and Brussels, and included in the DJSI, AEX- and Bel-20 indices.

Notes on legal terms used in the Dutch Financial Supervision Act (wet op het financieel toezicht – wft)

The term ‘suitability’ in the light of the Wft:

The suitability requirement for persons in key position, as applicable in June 2012, was included in section 3:8 (1) Wft, chapter 2 of the Decree on Conduct of Business Supervision of Financial Undertakings (*Besluit Gedragstoezicht financiële ondernemingen*) (professional competence of employees) and the 2012 Policy Rule on Suitability (*Beleidsregel geschiktheid*).

- The integrity and suitability of the people involved in the day-to-day management of financial undertakings are screened before they can be appointed.
- The suitability screening involves above all assessment of the knowledge and skills of the person concerned. The regulator assesses such factors as training, work experience and certain competences. The suitability screening also takes account of the composition and functioning of the board as a whole.
- The suitability screening is an ongoing requirement. Suitability may have to be reassessed if the regulator considers that there are reasonable grounds for doing so.

The term ‘integrity’ in the light of the Wft:

The integrity of people in key positions is screened by reference to section 3:9 Wft, chapter 3 of the Decree on Conduct of Business Supervision of Financial Undertakings (*Besluit Gedragstoezicht financiële ondernemingen*) and chapter 2 of the Decree on Prudential Rules under the Wft (*Besluit prudentiële regels Wft*).

- The aim of the integrity screening is to ensure that the integrity of people in key positions is beyond doubt. This is done by requesting information from government bodies and organisations for which the person concerned has worked.

The term ‘sound operational management’ in this context:

Article 1.2 (C) of the 2012 Policy Rule on Suitability (*Beleidsregel geschiktheid*) defines the term ‘sound and ethical operational management’ as follows.

- Sound and ethical operational management requires an adequate accounting and internal control system, measures to safeguard suitability and professional competence within an undertaking, the careful treatment of customers, risk management, compliance and outsourcing.