Delta Lloyd Schadeverzekering N.V.

Annual Report 2017

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1 THE COMPANY

1.1 Composition of the Boards

The composition of the Management Board and the Supervisory Board of Delta Lloyd Schadeverzekering N.V. ('Delta Lloyd Schadeverzekering') as at 31 December 2017 was as follows:

Management Board

Composition as at 31 December 2017

L.M. (Leon) van Riet (1964), CEO and chair[1]

T. (Theo) Brink (1972), CFO[2]

P. (Peter) Brewee (1972), CRO[2]

Resigned in 2017

H. (Harry) van der Zwan (1963)[3]

M. (Margriet) Dam (1972)[4]

M.C. (Marco) Nanne (1975)[4]

Supervisory Board

Composition as at 31 December 2017

J.H. (Jan-Hendrik) Erasmus (1980), chair[1]

D. (Delfin) Rueda (1964)[5]

R.L. (Robin) Spencer (1970)[5]

Resigned in 2017

A.P. (Annemarie) Mijer-Nienhuis (1970)[6]

C.J. (Clifford) Abrahams (1967)[7]

L.M. (Leon) van Riet (1964)[8]

I.M.A. (Ingrid) de Graaf-de Swart (1969)[9]

1 Appointment as at 13 April 2017 at the General Meeting on 12 April 2017.
2 Appointment as at 17 July 2017 at the General Meeting on 17 July 2017.
3 Resignation as CEO and chair of the Management Board as at 13 April 2017 at the General Meeting on 12 April 2017. Resignation as member of the Management Board as at 29 August 2017 by resignation letter.
4 Resignation as at 17 July 2017 at the General Meeting on 17 July 2017.
5 Appointment as at 1 September 2017 at the General Meeting on 31 August 2017. Mr. Spencer will resign effective 1 June 2018.
6 Resignation as at 1 September 2017 at the General Meeting on 31 August 2017.
7 Resignation as at 1 August 2017 at the General Meeting on 27 July 2017.
8 Resignation as at 13 April 2017 at the General Meeting on 12 April 2017.
9 Resignation as at 1 January 2017.

1.2 NN Group and Delta Lloyd Schadeverzekering at a glance

Delta Lloyd Schadeverzekering is part of NN Group N.V.

NN Group

NN Group N.V. (‘NN Group’) is a financial services company, active in 18 countries, with a strong presence in a number of European countries and Japan. Our ambition is to be a company that truly matters in the lives of our stakeholders. Our values are ‘care, clear and commit’.

We are committed to helping people secure their financial futures with strong products and services, and long-term relationships. With all our employees, NN Group offers retirement services, pensions, insurance, investments and banking products to approximately 17 million customers. NN Group’s main brands are Nationale-Nederlanden, NN, Delta Lloyd, NN Investment Partners, ABN AMRO Insurance, Movir, AZL, BeFrank and OHRA.

Our roots lie in the Netherlands, with a rich history that stretches back more than 170 years. NN Group became a standalone company on 2 July 2014. Since that date, our shares are listed and traded on Euronext Amsterdam under the listing name ‘NN Group’ (symbol ‘NN’). More information about NN Group’s business model, values and performance is available on www.nn-group.com and in the NN Group Annual Report.

Acquisition by NN Group

NN Group and Delta Lloyd have joined forces in the Netherlands and Belgium. On 12 April 2017, they jointly announced that NN Group had acquired 79.9% of the Delta Lloyd shares: the acquisition was completed. NN Group and Delta Lloyd started the integration process. End of April 2017, NN Group held over 93% of the Delta Lloyd shares, and appointed senior management and functional leaders at the head office. On 1 June 2017, NN Group established a legal merger to effectively achieve full ownership of the Delta Lloyd group. From that date, Delta Lloyd N.V. was not a listed company anymore and ceased to exist. (Read more about the Delta Lloyd transaction in Note 44 'Companies and businesses acquired and divested' of the NN Group Financial Report).

The combination of the activities of NN Group and Delta Lloyd will result in an organisation better placed to capture innovative opportunities and facilitate continuous improvement in our products, distribution and customer service.

Within NN Group’s organisational structure, Delta Lloyd Schadeverzekering is part of the reporting segment Netherlands Non-life and the business unit NN Non-life. For Netherlands Non-life, the acquisition means that it will integrate the Non-life insurance and broker activities of Delta Lloyd Schadeverzekering in its current organisation in due time.

Delta Lloyd Schadeverzekering

Delta Lloyd Schadeverzekering offers a broad range of non-life insurance products – including motor, fire, liability, transport, travel, and disability and accident insurance – to retail, self-employed, SME (small and medium sized enterprises) and corporate customers. We do this through multi-channel distribution such as regular and mandated brokers, OHRA and the internet.

Delta Lloyd Schadeverzekering's business centers around people and trust. By acting with professionalism and behaving with integrity and skill, Delta Lloyd Schadeverzekering believes it can build and maintain the confidence of its customers and other stakeholders. Our values 'care, clear, commit' set the standard for conduct and serve as a compass for decision-making.

Legal structure Delta Lloyd Schadeverzekering

Until 1 March 2018, Delta Lloyd Schadeverzekering was a direct fully owned subsidiary of Delta Lloyd Houdstermaatschappij Verzekeringen N.V. ('Delta Lloyd Houdstermaatschappij') which in turn is a direct fully owned subsidiary of NN Group. On 1 March 2018, the shares of Delta Lloyd Schadeverzekering were transferred from Delta Lloyd Houdstermaatschappij to Nationale-Nederlanden Nederland B.V. ('NN Nederland'). As a result of this transfer, Delta Lloyd Schadeverzekering is a direct fully owned subsidiary of NN Nederland as of 1 March 2018. NN Nederland is a fully owned subsidiary of NN Insurance Eurasia N.V. NN Insurance Eurasia N.V. is fully owned by NN Group.

1.3 Report of the Management Board

Financial developments

The Delta Lloyd Schadeverzekering annual report provides an overview of developments in 2017, with key figures listed below.

Key figures

In millions of euros	2017	2016
Gross written premiums	1,100	1,193
Operational expenses	132	142
Result (IFRS) before tax	-14	16
Result (IFRS) after tax	-6	13
Combined Operating Ratio (COR)*	105%	106%
Shareholders' funds	240	277
Standard Formula (SF) solvency ratio	132%	137%

* Excluding changes in market interest rates

The full-year 2017 result before tax of Delta Lloyd Schadeverzekering decreased to EUR -14 million from EUR 16 million in 2016.

The decrease in the result before tax is mainly attributable to lower investment income due to the sale of equity exposure leading to EUR 46 million gain in 2016. The combined ratio for full-year 2017 was 105% compared to 106% in 2016. This slight improvement of the underwriting performance was driven by lower administrative expenses and a favorable claims development in Disability & Accident, largely offset by the impact of large claims in the Property & Casualty portfolio.

Business developments

Delta Lloyd Schadeverzekering offers a broad range of non-life insurance products – including motor, fire, liability, transport, travel, and disability and accident insurance – to retail, self-employed, SME and corporate customers. We do this through multi-channel distribution. Products are offered in stand-alone as well as bundled form, with the focus on offering insurance bundles.

As a result of the acquisition by NN Group, the Management Boards and Supervisory Boards of Delta Lloyd Schadeverzekering and Nationale-Nederlanden Schadeverzekering Maatschappij N.V. ('NN Schade') have been aligned. The new organisational model has been launched and management appointments have taken place. During 2017 Delta Lloyd Schadeverzekering developed a comprehensive integration plan that will be executed in the next three years. Part of this plan is an organisational restructuring leading to the integration of all Delta Lloyd Schadeverzekering and NN Schade activities. Besides restructuring and integration focus will be on improvement of Delta Lloyd Schadeverzekering's underwriting result. All plans have been communicated to the market on the Capital market day in November 2017.

Delta Lloyd Schadeverzekering was the fourth largest provider in the Netherlands of non-life insurance products (excluding healthcare insurance) measured by Gross Written Premiums (GWP) in 2016, the most recent year of official figures, as presented by DNB. In these rankings Delta Lloyd Schadeverzekering is compared with other Dutch legal entities.

Delta Lloyd Schadeverzekering continued its focus on improving underwriting performance and reducing the combined ratio. Currently numerous tangible improvement measures are being implemented to improve the Property and Casualty (P&C) business.

Over the past several years, Delta Lloyd Schadeverzekering has shown commitment to structurally reduce expenses. Delta Lloyd Schadeverzekering has a clear plan to further reduce operating expenses through integration benefits and measures such as conversion to platforms with a higher degree of straight-through-processing, structural reduction in IT expenses, as well as an increased efficiency in strategic alliances and procurement.

Our values

At Delta Lloyd Schadeverzekering, we want to help people secure their financial futures. To fulfil this purpose, we base our work on three core values: 'care, clear, commit'. These values express what we hold dear, what we believe in and what we aim for. They guide, unite and inspire us. And they are brought to life through our day-to-day work. Our values, which we published under the title NN statement of Living our Values, set the standard for conduct and provide a compass for decision making. Every single NN employee will be responsible and accountable for living up to them. More information is available in the ‘Who we are’ section of www.nn-group.com.

Our customers

Delta Lloyd Schadeverzekering wants to help people secure their financial futures based on great service and long-term relationships. We offer our customers value for money and an experience that is straightforward, personal and caring. We create transparent, easy to understand products and we empower our customers with the knowledge and tools they need to make sound financial decisions.

We ensure customer interaction is an integral part at every step of a product lifecycle, i.e. we actively seek customer feedback and use this during product development, service delivery and in our interactions with customers. We consider any direct feedback from customers, whether positive or not, as an opportunity to learn and improve.

Throughout 2017, Delta Lloyd Schadeverzekering and OHRA maintained the 'Keurmerk Klantgericht Verzekeren', which was awarded by the independent industry body 'Stichting Toetsing Verzekeraars' for complying with a high standard of customer service.

Integration with NN

For the integration of the two companies, NN Group has set clear principles aimed at maximising synergies and executional certainty and facilitating speed. A central programme structure has been installed to steer and coordinate the process, working in close cooperation with dedicated integration teams in the different business units and support functions to ensure an aligned integration.

Designing the integration, the NN operating model is leading, but we aim to keep the strong elements of the Delta Lloyd organisation as agreed on in the Merger Protocol. This clear set of principles allowed us to set ambitious targets. A single customer database and interface will be in place, enabling us to service customers in the way they want. In 2018, we aim to have rebranded all Delta Lloyd Schadeverzekering products to NN. In 2019, we aim to complete the legal merger of NN Schade and Delta Lloyd Schadeverzekering.

Innovate our business and industry
We have identified a changing customer need that drives our product innovation. For instance, we notice the upcoming threat of Cybercrime. Therefore Delta Lloyd Schadeverzekering launched a pilot in 2017 offering a cyber insurance product through selected brokers.

Furthermore, OHRA launched several initiatives. For instance, in the field of car insurance, ‘Clixx’, a short-term insurance for vehicles loaned to friends or family, offers a solution for a growing amount of people. ‘Clixx’ started a successful pilot in 2016, which was continued in 2017. Based on these results it was decided to fully launch the new product under the OHRA label in 2018.

Next to this we innovate the way we work. At Delta Lloyd Schadeverzekering we use Agile/Scrum amongst other in our IT and marketing department. By making use of prototyping, design thinking and lean product development in our marketing departments we are able to implement new ideas fast. One way we do this, is by innovating the way we communicate with our customers: in 2017, as one of the first in the insurance industry, we further developed customer interactions via chatbot and live chat during the pet insurance campaign. As a result, questions from customers are answered with a higher accuracy and speed. Nevertheless, if preferred live chat is available. Conversion rates are therefore significantly increased. By making more and more use of online videos, we innovate the way of communication. We also combine interactive YouTube videos and tv commercials.

Value added products & services
Delta Lloyd Schadeverzekering continued developing and improving its product and insurance packages for all of its clients. For instance, OHRA won several awards. MoneyView, a leading Dutch research agency in the financial services industry, awarded OHRA in several categories. For our car insurance OHRA got awarded for the best policy conditions. For our liability insurance OHRA got awarded for both premium as well as policy conditions.

Distribution
Delta Lloyd Schadeverzekering continued to distribute its products through third-party channels and its own direct channel. In the SME market for income protection and P&C products, the intermediary channel remained the dominant distribution channel because of the complexity and the need-for-advice nature of the products. Distribution via OHRA continued to deliver strong results in the retail market.

At OHRA we see that the direct channel keeps growing. More and more customers are buying insurances online. OHRA continually invests in customer experience through various direct communication channels. With the virtual assistant, a chatbot, live chat and improvements in the online service domain ‘Mijn OHRA’.

Our employees
At Delta Lloyd Schadeverzekering, people truly matter. We genuinely believe we can better serve our customers and achieve our business goals if our people are encouraged to put their different talents, personalities and expertise to work. We know that we can only be the insurance company we want to be if our people are skilled, motivated and energised by their work. Their personal success is our common success. This requires a culture that welcomes and respects all people, and focuses on empowerment and entrepreneurship.

We will continue our efforts aimed at improving quality and reducing complexity for our customers and distribution partners. Focus on continuous improvement has become ingrained in all the day-to-day business activities of Delta Lloyd Schadeverzekering. With the integration with Nationale-Nederlanden we are focused on increasing agility in our way of working and engaging our employees in collaboration in integrated teams.

In the financial sector employment opportunities continue to decrease. Delta Lloyd Schadeverzekering encourages employees to invest in their personal development and employability. Employees are offered training, job rotations, career checks, coaching and internships. Delta Lloyd Schadeverzekering also supports employees in broadening their knowledge and experience to increase their labour market value.

Our role in society

At Delta Lloyd Schadeverzekering we aim to be a positive force in the lives of our customers. We believe this also includes taking responsibility for the well-being of society at large and supporting the communities in which we operate.

Delta Lloyd Schadeverzekering contributes to society by purchasing goods and services from suppliers in the communities in which we operate, as well as by managing our direct environmental footprint. Our values guide us in fulfilling our role as a good corporate citizen.

Embedding a sustainable role in society remains a key priority in Delta Lloyd Schadeverzekering's core activities and processes. For Delta Lloyd Schadeverzekering this entails, amongst others, offering products and services that are suitable, transparent and contribute to the financial well-being of our customers.

Employees volunteered their time and financial knowledge to promoting financial self-reliance in communities throughout the Netherlands. Their efforts contribute to the 'van Schulden naar Kansen' programme of the Stichting van Schulden naar Kansen (until 31 January 2018 this entity was named Stichting Delta Lloyd Groep Foundation). With this programme, Stichting van Schulden naar Kansen aims to tackle poverty and reduce debt by empowering people to be more financially self-reliant. In addition, during the 'Week van het Geld' employees visited elementary schools and helped teaching the basics of insurance in a fun and accessible way.

Delta Lloyd won the Golden SponsorRing 2017 in the category long-term sponsorships for its commitment to the Dutch water sports. Various activities like the 'Optimist on Tour', in which 50,000 children can have a low threshold way of doing water sports and the support of top sailors have stimulated the Dutch water sports to great height. The SponsorRing is an annual award for the best sponsor case in the Netherlands.

Solvency II

Solvency II reporting started in 2016. Under the Solvency II regime, required capital (Solvency Capital Requirement) is risk-based and calculated as the post-tax value-at-risk at the confidence interval of 99.5% on a one-year horizon. Available capital (Own Funds) is determined as the excess of assets over liabilities, both based on economic valuations, plus qualifying subordinated debt. The EU Solvency II directive requires that (re-)insurance undertakings and groups hold sufficient Eligible Own Funds covering the Solvency Capital Requirement.

Delta Lloyd Schadeverzekering uses the Standard Formula (SF) to calculate capital requirements under Solvency II.

Risk Management
For information regarding risk management reference is made to section 2.7.1 'Risk Management'.

Non-financial information
Delta Lloyd Schadeverzekering is exempt from the requirements of the Decree disclosure of non-financial information (Besluit bekendmaking niet-financiële informatie, the 'Decree'). Delta Lloyd Schadeverzekering is an indirect subsidiary of NN Group, that includes the non-financial information in its Report of the Management Board for the NN Group as a whole pursuant to the Decree.

Conclusions and ambitions
Delta Lloyd Schadeverzekering's ambition for 2018 is, together with its distribution partners, to achieve profitable growth in the markets in which it is active.

Delta Lloyd Schadeverzekering will enhance its distribution power with existing distribution partners, by supporting them for example with excellent tools, tailored service concepts, expert knowledge and communication strategies, all suited to the digital era and the personal needs of the customer. Delta Lloyd Schadeverzekering aims to expand in specific market segments where there are clear opportunities for profitable growth.

Delta Lloyd Schadeverzekering will further develop its underwriting capabilities in 2018 supported by additional investments. Delta Lloyd Schadeverzekering will execute its integration plans and keep focus on improvement of the combined ratio.

1.4 Corporate Governance

Board composition

Delta Lloyd Schadeverzekering aims to have an adequate and balanced composition of the Management Board and Supervisory Board ('Boards'). Annually, the Supervisory Board assesses the composition of the Boards. Delta Lloyd Schadeverzekering aims to have a gender balance by having at least 30% men and at least 30% women amongst the members of the Boards. The composition of the Management Board met the above-mentioned gender balance until 13 April 2017. The composition of the Supervisory Board met the above-mentioned gender balance until 1 September 2017. However, as Delta Lloyd Schadeverzekering needs to balance several relevant selection criteria when composing the Boards, the composition of the Management Board (as from 13 April 2017) and the Supervisory Board (as from 1 September 2017) did not meet the above-mentioned gender balance for the remainder of 2017. Delta Lloyd Schadeverzekering will continue to strive for an adequate and balanced composition of the Boards in future appointments, by taking into account all relevant selection criteria including but not limited to gender balance, executive experience, experience in corporate governance and experience in the political and social environment.

Audit committee

Delta Lloyd Schadeverzekering is exempt from the requirement to set up an audit committee pursuant to the Decree of 8 December 2016 (Bulletin of Acts and Decrees 2016, no. 507). Delta Lloyd Schadeverzekering is an indirect subsidiary of NN Group. NN Group has its own Audit Committee that satisfies all the statutory requirements concerning its composition, organisation and tasks. The Supervisory Board assumes the responsibility of the Audit Committee.

More information about the Audit Committee can be found at www.nn-group.com and in the NN Group 2017 Financial Report.

Financial reporting process

As Delta Lloyd Schadeverzekering is part of NN Group, the policies and procedures for establishing and maintaining adequate internal control over financial reporting are the same as those applied by NN Group for its consolidated financial statements.

The internal control over financial reporting is a process designed under the supervision of the CFO, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

The internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of Delta Lloyd Schadeverzekering's assets
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that Delta Lloyd Schadeverzekering's receipts and expenditures are handled only in accordance with authorisation of its management and directors
- Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the assets that could have a material effect on Delta Lloyd Schadeverzekering's financial statements

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

External auditor

Ernst & Young Accountants LLP was appointed as external auditor of Delta Lloyd Schadeverzekering for the financial year 2017. The external auditor attended the meeting of the Supervisory Board on 8 May 2017.

On 28 May 2015, the general meeting ('General Meeting') of NN Group appointed KPMG Accountants N.V. as the external auditor of NN Group and its subsidiaries for the financial years 2016 through 2019. In 2018, KPMG Accountants N.V. will be appointed as the external auditor of Delta Lloyd Schadeverzekering for the financial years 2018 and 2019.

More information on NN Group's policy on external auditor independence is available on the website of NN Group.

Code of Conduct for Insurers

In June 2011, Delta Lloyd Schadeverzekering signed up to the revised Code of Conduct for Insurers. The Code of Conduct is elaborated by the integration of the Governance Principles on 9 December 2015. The Code of Conduct for Insurers is a cornerstone of Delta Lloyd Schadeverzekering’s operations. The Code of Conduct for Insurers contains three core values: ‘providing security’, ‘making it possible’ and ‘social responsibility’. These core values ensure that we never lose sight of the essence of what we do: adding value for our customers and society. Delta Lloyd Schadeverzekering aims to offer security in both the short and the long term by bolstering continuity and boosting confidence. The Code of Conduct for Insurers is available on the website of the Dutch Association of Insurers (www.verzekeraars.nl).

The Hague, 26 April 2018

THE MANAGEMENT BOARD

Delta Lloyd Schadeverzekering N.V.

2 Financial statements 2017

Delta Lloyd Schadeverzekering is a public limited liability company (naamloze vennootschap) incorporated under Dutch law and domiciled in Amsterdam, the Netherlands. Delta Lloyd Schadeverzekering is recorded in the Commercial Register, no. 33052073. The principal activities of Delta Lloyd Schadeverzekering are described in 'NN Group and Delta Lloyd Schadeverzekering at a glance'.

2.1 Statement of financial position

Statement of financial position

In thousands of euros		31 December 2017	31 December 2016
Goodwill	7	3,047	3,047
Deferred acquisition costs	8	36,982	44,195
Deferred tax assets	19	24,192	20,353
Debt securities	9	1,597,405	1,585,313
Equity securities	9	149,719	162,219
Derivatives	10	407	413
Loans and receivables at amortised cost	11	207,582	212,341
Reinsurance assets	16	121,173	119,100
Receivables and other financial assets	12	250,903	312,920
Accrued interest and prepayments		32,444	34,776
Cash and cash equivalents		14,436	95,329
Total assets		**2,438,291**	**2,590,005**
Share capital	13	45,378	45,378
Share premium	13	470,837	490,837
Revaluation reserves	14	31,630	42,066
Equity compensation plan		-	700
Other reserves		-301,822	-314,766
Unallocated result		-5,534	12,944
Total shareholders' funds		240,489	277,159
Insurance liabilities	15	1,891,364	1,895,957
Provisions for other liabilities	18	6,264	10,851
Subordinated debt	20	130,000	130,000
Derivatives	10	1,817	4,254
Other financial liabilities	21	23,030	38,357
Other liabilities	22	145,326	233,426
Total liabilities		2,197,802	2,312,846
Total shareholders' funds and liabilities		**2,438,291**	**2,590,005**

The notes (in numerical order) include the accounting policies and are an integral part of these financial statements. The numbers refer to the relevant subsection in section 2.7 ‘Notes to the financial statements’.

2.2 Income statement

Income statement

In thousands of euros		2017	2016
Gross written premiums	3	1,099,664	1,192,594
Outward reinsurance premiums	3	-83,516	-66,067
Net written premiums		1,016,148	1,126,527
Change in unearned premiums provision	3	13,158	-29,237
Net premiums earned		1,029,306	1,097,290
Net investment income		48,186	114,757
Fee and commission income	3	11,589	9,713
Other income	3	563	94
Total investment and other income		60,338	124,564
Total income		**1,089,643**	**1,221,854**
Net claims and benefits paid	4	761,667	789,052
Change in insurance liabilities	4	4,577	36,516
Expenses relating to the acquisition of insurance contracts	4	269,835	280,552
Finance costs	4	9,332	11,322
Other operating expenses	4	58,543	88,184
Total expenses		**1,103,955**	**1,205,626**
Result before tax		**-14,312**	**16,228**
Income tax	19	-8,778	3,284
Net result		**-5,534**	**12,944**

The notes (in numerical order) include the accounting policies and are an integral part of these financial statements. The numbers refer to the relevant subsection in section 2.7 ‘Notes to the financial statements’.

2.3 Statement of comprehensive income

Statement of comprehensive income

In thousands of euros	2017	2016
Net result	-5,534	12,944
Changes in value of financial instruments available for sale	7,310	197
Impairment losses transferred to income statement	122	48
Reversal of impairment losses transferred to income statement	-157	-255
Realised gains/losses on revaluations of financial instruments available for sale transferred to income statement	-15,481	-57,431
Income tax relating to items that may be reclassified	-2,230	12,178
Total items that may be reclassified subsequently to income statement	-10,436	-45,264
Total other comprehensive income	-10,436	-45,264
Total comprehensive income	**-15,970**	**-32,320**

The notes and the accounting policies are an integral part of these financial statements.

2.4 Statement of changes in shareholders’ funds

Statement of changes in shareholders' funds

In thousands of euros	Ordinary share capital	Share premium	Revaluation reserves	Equity compensation plan	Other reserves	Total shareholders' funds
At 1 January 2016	45,378	490,837	87,330	1,104	-264,766	359,883
Total other comprehensive income	-	-	-45,264	-	-	-45,264
Result for the period	-	-	-	-	12,944	12,944
Interim dividend payment 2016	-	-	-	-	-50,000	-50,000
Change in conditional options granted	-	-	-	-404	-	-404
At 31 December 2016	**45,378**	**490,837**	**42,066**	**700**	**-301,822**	**277,159**
At 1 January 2017	45,378	490,837	42,066	700	-301,822	277,159
Total other comprehensive income	-	-	-10,436	-	-	-10,436
Result for the period	-	-	-	-	-5,534	-5,534
Interim dividend payment 2017	-	-20,000	-	-	-	-20,000
Change in conditional options granted	-	-	-	-700	-	-700
At 31 December 2017	**45,378**	**470,837**	**31,630**	**-**	**-307,356**	**240,489**

The notes and the accounting policies are an integral part of these financial statements.

Total other comprehensive income relates to the equity allocation of the items specified in section 2.3 ‘Statement of comprehensive income’.

The equity compensation plan relates to the share-based and performance-related incentive plans offered formerly by Delta Lloyd and applicable to the Management Board of Delta Lloyd Schadeverzekering and managers in control functions and positions impacting the risk profile (see section 2.7.5 ‘Employee information’). Due to the acquisition of Delta Lloyd by NN Group (see section 1.2 ‘NN Group and Delta Lloyd Schadeverzekering at a glance’) the equity compensation plan ended at 31 March 2017.

2.5 Cash flow statement

Cash flow statement

In thousands of euros		2017	2016
Net result			
Net result		-5,534	12,944
Adjustments for:			
Income tax expense		-8,778	3,284
Depreciation, amortisation, impairments and revaluation of items not at fair value		198,814	221,329
Unrealised gains and losses		959	-16,239
Change in provisions for insurance and investment contracts net of reinsurance	15, 16	-6,665	69,268
Share of profit or loss and other non-cash items from associates and joint ventures		-	-135
Additions/(releases) in provisions for other liabilities	18	1,591	-10,849
Cash generating profit for the year		180,388	279,602
Net (increase) / decrease in other financial liabilities	21	-15,327	4,892
Income taxes (paid) / received		4,728	-6,364
Net (increase) / decrease in other operating assets and liabilities		-207,980	-178,940
Net cash flow from operating activities		-38,191	99,190
Cash flow from investing activities			
Net (increase) / decrease in debt securities	9	-35,404	-145,515
Net (increase) / decrease in equity securities	9	7,824	142,749
Net (increase) / decrease in derivatives	10	119	-57
Net (increase) / decrease in loans and receivables	11	4,759	1,533
Dividends received from associates		-	135
Net cash flow from investing activities		-22,702	-1,154
Dividends paid to shareholder	2.4	-20,000	-50,000
Net cash flow from financing activities		-20,000	-50,000
Net (decrease) / increase in cash and cash equivalent		**-80,893**	**48,036**
Statement of changes in cash and cash equivalents			
Cash and cash equivalents at beginning of year		95,329	47,293
Net (decrease) / increase in cash and cash equivalents		-80,893	48,036
Total cash and cash equivalents at 31 December		**14,436**	**95,329**
Further details on cash flow from operating activities			
Interest paid		9,332	11,322
Interest received		47,471	48,177
Dividends received	3	1,367	3,320

The notes (in numerical order) include the accounting policies and are an integral part of these financial statements. The numbers refer to the relevant subsection in section 2.7 ‘Notes to the financial statements’.

2.6 Accounting policies

The notes to the financial statements and the remuneration report are an integral part of these financial statements.

This section describes Delta Lloyd Schadeverzekering's significant general accounting policies, changes in accounting policies and the use of assumptions and estimates relating to the financial statements and notes as a whole. If an accounting policy relates specifically to a note (balance or transaction), it is presented within the relevant note. Unless stated otherwise, these policies are consistently applied throughout Delta Lloyd Schadeverzekering, in all the years presented.

Changes in accounting policies

There were no changes in accounting policies.

2.6.1 Basis of presentation

Delta Lloyd Schadeverzekering prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (IFRS-EU) and with Part 9 of Book 2 of the Dutch Civil Code.

Unless stated otherwise, assets and liabilities are measured at historical cost. Where necessary, assets are shown net of impairment. Income and expenses are allocated in accordance with the matching principle. Expenses are accounted for in the expense category to which they relate. Expenses related to the acquisition of new business are classified as acquisition costs for insurance and investment contracts. Financial assets and liabilities that are of a current nature (i.e. recoverable/payable within one year) are accounted for at amortised cost, because the difference between cost and fair value is insignificant. Derivative financial instruments are measured at fair value irrespective of their duration.

Upcoming changes in IFRS-EU

In 2017, no changes to IFRS-EU became effective that had an impact on the financial statements of Delta Lloyd Schadeverzekering. Upcoming changes in IFRS-EU that where issued by the IASB but are effective after 2017 and are relevant to Delta Lloyd Schadeverzekering mainly relate to IFRS 9 'Financial Instruments' and IFRS 17 'Insurance Contracts'.

IFRS 9 Financial Instruments

IFRS 9 'Financial Instruments' was issued by the IASB in July 2014. IFRS 9 replaces most of the current IAS 39 'Financial Instruments: Recognition and Measurement' and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. In the second quarter of 2017 NN Group acquired all issued and outstanding ordinary shares of Delta Lloyd. Since then Delta Lloyd Schadeverzekering follows the IFRS 9 implementation schedule of NN Group.

Classification and measurement

The classification and measurement of financial assets under IFRS 9 will depend on the business model of Delta Lloyd Schadeverzekering and the instrument's contractual cash flow characteristics. These may result in financial assets being recognised at amortised cost, at fair value through other comprehensive income (equity) or at fair value through profit or loss.

In many instances, the classification and measurement under IFRS 9 will be similar to IAS 39, although changes in classification will occur. The classification of financial liabilities remains unchanged.

Impairment

The recognition and measurement of impairments under IFRS 9 is intended to be more forward-looking than under IAS 39. The new impairment requirements will apply to all financial assets measured at amortised cost and at fair value through other comprehensive income (equity) together with certain loan commitments and financial guarantee contracts. Initially, a provision is required for expected credit losses resulting from default events that are expected within the next twelve months. In the event of a significant increase in credit risk, a provision is required for expected credit losses resulting from all possible default events over the expected life of the financial assets.

Hedge accounting

The hedge accounting requirements of IFRS 9 aim to simplify hedge accounting. Delta Lloyd Schadeverzekering does not use hedge accounting.

IFRS 9 is effective for reporting periods starting on or after 2018. However, in September 2016 the IASB issued an amendment to IFRS 4 ‘Insurance Contracts’ (the ‘Amendment’). This Amendment addresses the issue arising from the different (expected) effective dates of IFRS 9 and the new standard on accounting for insurance contracts. The Amendment allows applying a temporary exemption from implementing IFRS 9 until 1 January 2021. This exemption is only available to entities whose activities are predominantly connected with insurance (measured at a 31 December 2015 reference date). Delta Lloyd Schadeverzekering’s activities are predominantly connected with insurance as defined in this Amendment and, therefore, Delta Lloyd Schadeverzekering qualifies for this deferred effective date of IFRS 9. Delta Lloyd Schadeverzekering will apply the temporary exemption and, therefore, Delta Lloyd Schadeverzekering will implement IFRS 9 in 2021.

Delta Lloyd Schadeverzekering is preparing for the implementation of IFRS 9 and IFRS 17 in a combined project (see below).

IFRS 15 Revenue from Contracts with Customers

IFRS 15 ‘Revenue from Contracts with Customers’ is effective as of 1 January 2018. IFRS 15 provides more specific guidance on recognising revenue. Delta Lloyd Schadeverzekering’s main types of income (income from insurance contracts and income from financial instruments) are not in scope of IFRS 15. The implementation of IFRS 15 as at 1 January 2018 did not impact Shareholders’ equity at that date. There is also no impact on the 2017 Net result. The implementation of IFRS 15 is not expected to have significant impact on the 2018 Annual report of Delta Lloyd Schadeverzekering.

IFRS 16 Leases

IFRS 16 is effective as of 1 January 2019. IFRS 16 contains a new accounting model for lessees. The implementation of IFRS 16 is not expected to have a significant impact on shareholders’ equity and net result of Delta Lloyd Schadeverzekering.

IFRS 17 Insurance Contracts

IFRS 17 ‘Insurance Contracts’ was issued in May 2017. IFRS 17 covers the recognition and measurement, presentation and disclosure of insurance contracts and replaces the current IFRS 4.

IFRS 17 will fundamentally change the accounting for insurance liabilities and DAC for all insurance companies, including Delta Lloyd Schadeverzekering. IFRS 17 is expected to be effective as of 1 January 2021, subject to endorsement in the EU.

Delta Lloyd Schadeverzekering's current accounting policies for insurance liabilities and DAC under IFRS 4 are largely based on the pre-IFRS accounting policies under Dutch regulations. IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts and the premium allocation approach mainly for short-duration contracts (typically certain non-life insurance contracts).

The main features of IFRS 17 are:

- Measurement of the insurance liabilities in the balance sheet at current fulfilment value, being the sum of the present value of future cash flows and a risk adjustment
- Remeasurement of the current fulfilment value every reporting period using current assumptions and discount rates
- A Contractual Service Margin (CSM) recognised in the balance sheet that is equal to the unearned profit in the insurance contract at issue and is subsequently recognised as result in the profit and loss account over the remaining life of the portfolio
- Certain changes in the insurance liability are adjusted against the CSM and thereby recognised in the profit and loss account over the remaining life of the portfolio
- The effect of changes in discount rates is recognised either in the profit and loss account or in equity (OCI)
- The presentation of the profit and loss account and the disclosures in the Notes will change fundamentally

IFRS 17 must be implemented retrospectively with amendment of comparative figures. However, several simplifications may be used upon transition.

Delta Lloyd Schadeverzekering will implement IFRS 17 together with IFRS 9 (see above). Delta Lloyd Schadeverzekering initiated an implementation project and has been performing high-level impact assessments. Delta Lloyd Schadeverzekering expects that the implementation of IFRS 9 and IFRS 17 will result in significant changes to its accounting policies and is expected to have a significant impact on shareholders' equity, net result, presentation and disclosure.

Other

Items in the financial statements of Delta Lloyd Schadeverzekering are measured in the currency of the primary economic environment in which Delta Lloyd Schadeverzekering operates ('the functional currency'). The financial statements are stated in euros, which is Delta Lloyd Schadeverzekering's key functional currency and also the presentation currency. Unless stated otherwise, the amounts shown in these financial statements are in thousands of euros. Calculations in the tables are made based on unrounded figures; as a result, rounding differences can occur.

IAS 1 Presentation of Financial Statements requires a distinction between current and non-current assets and liabilities in the statement of financial position, unless a liquidity-based presentation provides better insight. For an insurance company, close control over liquidity, asset and liability matching, and highly regulated capital and solvency positions are considered to be more relevant. As such, no distinction is made between current and non-current for insurance-related items. Further details of risk management are provided in section 2.7.1 'Risk management'.

The cash flow statement is prepared according to the indirect method. It distinguishes between cash flows from operating, investing and financing activities. Cash and cash equivalents consist of cash at banks and cash in hand, deposits held at call with banks, treasury bills, other short-term highly liquid investments with less than 90 days maturity from the date of acquisition and bank overdrafts.

2.6.2 Use of assumptions and estimates

Preparing financial statements requires Delta Lloyd Schadeverzekering to make assumptions and estimates that affect items reported in the separate statement of financial position and income statement and the disclosure of contingent assets and liabilities at the date of the financial statements. In particular, this concerns assumptions and estimates used to establish insurance contract provisions, determine the fair value of assets and liabilities (see section 2.7.25 'Fair value of assets and liabilities'), establish impairment (e.g. regarding goodwill, debt securities and equity securities and loans and receivables) and deferred acquisition costs. These assumptions and estimates are based on management's best knowledge of current facts, circumstances and, to some extent, future events and actions. Important assumptions are set out in the relevant note. Actual results may ultimately differ, possibly significantly, from these estimates.

Interest rate curve

Delta Lloyd Schadeverzekering assesses in each reporting period whether the applied IFRS discount curve, which is based on the Solvency II (SII) curve, including a volatility adjustment (VA), credit risk adjustment (CRA) and an UFR is representative as a current market interest rate curve for the valuation of insurance liabilities under IFRS. The European Insurance and Occupational Pensions Authority (EIOPA) publishes the SII curve on a monthly basis. Delta Lloyd Schadeverzekering applies this curve as an estimate for current market interest rates under IFRS (IFRS discount curve), including any potential changes in the methodology of the construction of the SII curve, provided that the interest rate curve complies with IFRS. Delta Lloyd Schadeverzekering's assessment, at 31 December 2017, showed that the IFRS discount curve still provides the best possible representation of current market interest rates under IFRS and that no better representation is available.

Mortality tables

At year-end 2017, the technical provision was valued on the basis of AG2014 (2016: AG2014).

Impairment model equity securities

Delta Lloyd Schadeverzekering impairs its equity securities when the fair value of the equity security declined significantly or for a prolonged period of time below its costs. Delta Lloyd Schadeverzekering used to define significant as at least 20% of cost over an uninterrupted period of six months or more than 40% of cost on the reporting date. Delta Lloyd Schadeverzekering changed its definition of significant slightly in line with group policies. It defines significant now on a case-by-case basis for specific equity securities. Generally, 20% below cost or a prolonged period of 6 months are used as triggers. This change had no material impact on net result or shareholders' funds of Delta Lloyd Schadeverzekering.

2.6.3 Consolidation principles

Delta Lloyd Schadeverzekering has control of a structured or other entity if it (a) has power over the entity; (b) is exposed, or has rights, to variable returns due to its involvement in the relevant activities of the entity; and (c) has the ability to use its power to affect the level of return, reflecting a link between power and returns. The assessment of control is based on the substance of the relationship between Delta Lloyd Schadeverzekering and the entity and, among other things, considers existing and potential voting rights that are substantive. For a right to be substantive, the holder must have the practical ability to exercise that right.

Determining whether Delta Lloyd Schadeverzekering has control of an entity is generally straightforward, based on ownership of the majority of the voting capital. However, in certain instances this determination will involve judgement, particularly in the case of investment vehicles like investment funds and structured entities (see below).

Subsidiaries are consolidated from the date when effective control is transferred to Delta Lloyd Schadeverzekering and are excluded from consolidation from the date when effective control is lost.

Delta Lloyd Schadeverzekering uses the purchase method when a subsidiary is acquired. The acquisition price is the sum of the fair value of assets given, equity instruments issued and any acquisition-related liabilities. Separately identifiable assets, liabilities and contingent liabilities acquired, as well as net assets, are measured at fair value on the acquisition date. The difference between the acquisition price of a subsidiary and the share in net assets that is attributable to Delta Lloyd Schadeverzekering's equity interest is recognised as goodwill in the financial statements. If the acquisition price is lower than the fair value of the equity interest, the surplus is recognised in the income statement.

Currently Delta Lloyd Schadeverzekering does not have subsidiaries.

Investment funds

Investment funds are consolidated in the financial statements when Delta Lloyd Schadeverzekering has control. This is the case when Delta Lloyd Schadeverzekering has power over the investment fund, sufficient variable return, and when Delta Lloyd Schadeverzekering can use that power to affect these returns. The assessment of control is based on the substance of the relationship between Delta Lloyd Schadeverzekering and the investment fund and primarily considers voting rights (existing and substantive potential voting rights), but also, among other things, decision-making authority, removal rights and sufficiency of variability of return.

Based on this assessment Delta Lloyd Schadeverzekering concluded that it does not control any of the investment funds it holds an interest in and thus does not consolidate these investment funds.

Structured entities

A structured entity is an entity that has been designed so that voting rights are not the dominant factor in deciding who controls the entity, for example when any voting rights relate to administration tasks only and the relevant activities are directed by means of contractual agreements. Delta Lloyd Schadeverzekering assesses all facts and circumstances and analyses the purpose and design of the entity, including determining which party has power over the relevant activities that most affect its returns and whether there are any additional rights held that may confer such power.

As part of its investment activities Delta Lloyd Schadeverzekering also invests in structured entities established by other parties, but none of these investments meet the requirement for Delta Lloyd Schadeverzekering to have control. See section 2.7.9 ‘Debt and equity securities’ for details regarding these securities in unconsolidated structured entities.

2.6.4 Foreign currency translation

Foreign currency transactions are initially accounted for at the exchange rate of the functional currency prevailing on the date of the transaction. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Translation differences on debt securities and other monetary financial assets measured at fair value through profit or loss are included in foreign exchange gains and losses in the income statement. Exchange differences resulting from changes in the amortised cost of monetary available-for-sale financial assets are also accounted for in the income statement. Other changes in fair value are included in the investment revaluation reserve within equity.

Translation differences on non-monetary items held at fair value through profit or loss are accounted for as part of fair value changes through profit or loss. Translation differences on non-monetary items whose movements are accounted for through equity are accounted for in the revaluation reserve. Translation takes place at the exchange rates prevailing when fair value is determined.

2.6.5 Product classification

Financial assets and liabilities

Delta Lloyd Schadeverzekering classifies its investments as financial assets at fair value through profit or loss (FVTPL), available-for-sale financial assets (AFS) or loans and receivables (L&R). The classification depends on the purpose for which the investment was acquired and is determined when initially recognised. In general, the FVTPL category is used where this eliminates an accounting mismatch.

The FVTPL category has two subcategories - those that meet the definition of being ‘held for trading’ (HFT) and those Delta Lloyd Schadeverzekering chooses to designate as FVTPL (referred to as ‘other than trading’ or OTT).

Investments classified as HFT, OTT and AFS are measured at fair value. Changes in the fair value of investments HFT and OTT are accounted for in the income statement in the period in which the value change occurs. Changes in the fair value of investments classified as AFS, other than impairment losses and relevant foreign exchange gains and losses, are recorded in the revaluation reserve within equity.

All loans and receivables and other liabilities are initially measured at fair value (including transaction costs) and subsequently measured at amortised cost.

Insurance contracts

Insurance contracts are defined as those transferring significant insurance risk but only if, at the inception of the contract, an insured event could cause an insurer to pay substantial additional benefits in any scenario, excluding scenarios that lack commercial substance.

Insurance risk is considered significant if the payment on the occurrence of an insured event differs by at least 10% from the payment if the event does not occur. These contracts are considered to be insurance contracts throughout the remaining term to maturity, irrespective of when the insured event occurs. Any contract not included in the scope of IFRS 4 is classified as an investment contract and treated as a financial instrument. Investment contracts can be reclassified as insurance contracts after inception if the insurance risk becomes significant.

2.7 Notes to the financial statements

Delta Lloyd Schadeverzekering is a member of NN Group which has centrally structured and organised risk management. Delta Lloyd Schadeverzekering is part of the centralised structure.

2.7.1 Risk management

Introduction

Accepting risk is integral to the business model for insurance organisations such as Delta Lloyd Schadeverzekering. Delta Lloyd Schadeverzekering has developed and implemented a risk management structure that is designed to identify, assess, control and monitor the risks associated with its business. By working within this structure, Delta Lloyd Schadeverzekering aims to meet its obligations to policyholders and other customers and creditors, to manage its capital efficiently, and to comply with applicable laws and regulations.

The approach to risk management of Delta Lloyd Schadeverzekering is based on the following main components:

- **Risk management structure and governance systems**. The risk management structure and governance systems of Delta Lloyd Schadeverzekering follow the ‘three lines of defence’ concept, which outlines the decision-making, execution and oversight responsibilities for the implementation of risk management of Delta Lloyd Schadeverzekering. These structure and governance systems are embedded in organisational layers of Delta Lloyd Schadeverzekering.
- **Risk management system**. The risk management system of Delta Lloyd Schadeverzekering takes into account the relevant elements of risk management, including its integration into the strategic planning cycle, the management information generated, and a granular risk assessment. This includes a comprehensive set of risk management policies, standards and processes. These are updated regularly to align with market leading practices, applicable laws and regulations, and to changes in NN Group’s business and risk profile. These risk management policies, standards and processes apply to Delta Lloyd Schadeverzekering and are used to establish, define, and evaluate the risk tolerance levels and risk control processes and to ensure that the tolerance levels and policies are communicated throughout the organisational structure.

Risk management structure and governance system

Management Board and its committees

The Management Board is responsible for defining, installing, and monitoring the risk management organisation in order to ensure its control systems are effective. The Management Board, or its committees, approves all risk management policies as well as the quantitative and qualitative elements of the risk appetite of Delta Lloyd Schadeverzekering. The Management Board reports and discusses these topics with the Supervisory Board, on a quarterly basis.

In compliance with the Dutch Corporate Governance Code, the Management Board is responsible for the role and functioning of risk management system, supervised by the Supervisory Board.

While the Management Board retains responsibility for the risk management of Delta Lloyd Schadeverzekering, it has delegated certain responsibilities to committees. These committees are the Model Committee, the Assets & Liabilities Committee, the Enterprise Risk Committee, the Product Risk Committee, the Operational Risk Committee and Crisis committee.

Chief executive officer and chief risk officer

The chief executive officer (the CEO), bears responsibility for the risk management of Delta Lloyd Schadeverzekering, including the following tasks:

- Setting risk policies
- Formulating the risk management strategy of Delta Lloyd Schadeverzekering and ensuring that it is implemented throughout Delta Lloyd Schadeverzekering
- Monitoring compliance with the overall risk policies of Delta Lloyd Schadeverzekering
- Supervising the operation of risk management and business control systems of Delta Lloyd Schadeverzekering
- Reporting of the risks and the processes and internal business controls of Delta Lloyd Schadeverzekering
- Making risk management decisions with regards to matters which may have an impact on the financial results of Delta Lloyd Schadeverzekering or its reputation, without limiting the responsibility of each individual member of the Management Board in relation to risk management

The CEO is also primarily responsible for the communication of risk-related topics to the Supervisory Board.

The CEO designates a chief risk officer (the CRO) from among the members of the Management Board, who is delegated with the day-to-day execution of these tasks. The CRO of Delta Lloyd Schadeverzekering reports functionally to the CRO of NN Group.

Supervisory Board

The Supervisory Board is responsible for supervising the Management Board and the general affairs of Delta Lloyd Schadeverzekering and its business and providing advice to the Management Board.

Three lines of defence model

The three lines of defence concept, on which the risk management structure and governance of Delta Lloyd Schadeverzekering is based, defines three risk management levels, each with distinct roles, decision authorities, execution responsibilities, and oversight responsibilities. This framework ensures that risk is managed in line with the risk appetite as defined by the Management Board of NN Group, ratified by the Supervisory Board, and cascaded throughout Delta Lloyd Schadeverzekering.

First line of defence: the CEO of Delta Lloyd Schadeverzekering and the other Management Board members that have primary accountability for the performance of the business, operations, compliance and effective control of risks affecting their businesses. They underwrite the insurance products that reflect local needs and thus know their customers and are well-positioned to act in both the customers' and Delta Lloyd Schadeverzekering's best interests.

Second line of defence: oversight functions at Delta Lloyd Schadeverzekering with a major role for the risk management organisation, the legal and the compliance function, and the actuarial and risk management function. The CEO and CRO steer a functional, independent risk organisation, which supports the commercial departments in their decision-making, but which also has sufficient countervailing power to prevent risk concentrations and other forms of unwanted or excessive risks. These oversight functions include:

- Developing the policies and guidance for their specific risk and control area
- Encouraging and objectively challenging/monitoring sound risk management throughout the organisation and coordinate the reporting of risks
- Supporting the first line of defence in making proper risk-return trade-offs
- Escalation power in relation to business activities that are judged to present unacceptable risks to Delta Lloyd Schadeverzekering

Third line of defence: corporate audit services (CAS). CAS provides an independent assessment of the standard of internal control with respect to the business and support processes of Delta Lloyd Schadeverzekering, including governance, risk management and internal controls.

Operating Model

Within NN Group, Delta Lloyd Schadeverzekering may independently perform all activities that are consistent with the strategy of NN Group and the approved (3 year) business plan (hereinafter: 'Business Plan'), and as long as Delta Lloyd Schadeverzekering is consistent with the Frameworks, applicable laws and regulations, applicable collective agreements, NN Group's risk appetite, NN Group Values, and these activities are not under the decision making authority of the Management Board of NN Group.

Delta Lloyd Schadeverzekering operates transparently and provides all relevant information to the relevant NN Group Management Board members and Support Function Head(s) at NN Group. Particularly when Delta Lloyd Schadeverzekering wishes to deviate from applicable policies or standards, its Business Plan or when there is reason to believe that NN Group's financial position and/or reputation may be materially impacted.

The CEO of Delta Lloyd Schadeverzekering is responsible for:

- The financial performance, as well as the business and operational activities, and as such the risk and control, in the respective areas
- The execution in the respective areas of any strategies that conform to the strategic framework of NN Group
- Ensuring that the business is run in compliance with laws and regulations, NN Group policies and standards and internal controls
- Fulfilling the statutory responsibilities
- Implementing a sound control framework and operating in accordance with NN values
- Sustainability of Delta Lloyd Schadeverzekering in the long term
- Sharing best practices across NN Group

Risk Management Function

The CRO of Delta Lloyd Schadeverzekering has a functional reporting line to the NN Group CRO.

The teams within the Delta Lloyd Schadeverzekering CRO department are multi-disciplinary, focused on the segment and work together across Delta Lloyd Schadeverzekering on operational risk, financial risk and business risk.

Other Key Functions in risk management structure

Model Governance and Model Validation Function

The model governance and validation function seeks to ensure that models of Delta Lloyd Schadeverzekering are fit for their intended purpose. Models and their disclosed metrics are approved by the Model Committee of Delta Lloyd Schadeverzekering. Depending on type and substance of a model, approval of the NN Group Model Committee may be required. This committee is responsible for modelling policies, processes, methodologies, and parameters which are applied within NN Group. The NN Group model validation function carries out validations of risk and valuation models, in particular those related to Solvency II.

Model validation is not a one-off assessment of a model, but an ongoing process whereby the reliability of the model is verified at different stages during its lifecycle: at initiation, before approval, when the model has been redeveloped or modified, and on a regular basis. It is not a mere verification of the mathematics or statistics of the model, but encompasses both a quantitative and qualitative assessment of the model. Accordingly, the validation process encompasses a mix of developmental evidence assessment, process verification and outcome analysis.

The validation cycle is based on a five year period. This means that at least once every five years a model in scope will be independently validated. In general, the validation frequency relates to the relative materiality of the models in scope.

The Compliance Function

To effectively manage Business Conduct Risk, Delta Lloyd Schadeverzekering has a Compliance Function. Within the broader risk framework of Delta Lloyd Schadeverzekering, the purpose of the Compliance Function is to:

- Understand and advocate the integrity related rules, regulations and laws for the effective management of Business conduct risk; proactively work with and advise the business to manage Business conduct risk throughout our products' life cycle and our business' activities to meet stakeholder expectations
- Develop and enhance tools to strengthen the three lines of defence to detect, communicate, manage and to report on Business conduct risks
- Support Delta Lloyd Schadeverzekering's strategy by establishing clear roles and responsibilities to help embed good Compliance practices throughout the business by using a risk-based approach to align business out-comes with the risk appetite of Delta Lloyd Schadeverzekering
- Deepen the culture of compliance by partnering with the business to increase the culture of trust, accountability, transparency and integrity in evaluating, managing and in reporting on Business conduct risk

The Management Board of Delta Lloyd Schadeverzekering establishes and maintains a Compliance Function and appoints a Compliance Officer, which hierarchically reports to the CEO.

The Actuarial Function

The primary objective of the Actuarial Function is to reduce the risk of unreliable and inadequate technical provisions with regard to both Solvency II and IFRS reporting. This contributes to an enhanced perception of clients, regulators and investors alike of the financial solidity of Delta Lloyd Schadeverzekering.

Representatives of the Actuarial Function are involved in daily actuarial and risk management operations. They supply their expertise pro-actively where and when deemed relevant, and when asked for. Particularly the Actuarial Function Holder provides an objective challenge in the review of the technical provisions as well as quality assurance on the underwriting policy and reinsurance arrangements.

The Actuarial Function operates within the context of the broader risk management system of Delta Lloyd Schadeverzekering. Within this system, the role of the Actuarial Function is to:

- Understand and advocate the rules, regulations and laws for effective management of the calculation process of technical provisions, underwriting and reinsurance arrangements; proactively advise the business to manage the risk of unreliable and inadequate technical provisions
- Develop and enhance tools to strengthen the three lines of defence to detect, communicate, manage and to report on risks related to unreliable or inadequate technical provisions
- Support the strategy of Delta Lloyd Schadeverzekering by establishing clear roles and responsibilities to help embed good (actuarial) practices throughout the organisation by using a risk-based approach to align insights with the risk appetite of Delta Lloyd Schadeverzekering
- Strengthen the culture of professional risk management by challenging management and experts to increase the culture of trust, accountability, transparency and integrity in evaluating, managing and reporting on risks of unreliable or inadequate technical provisions

The Management Board of Delta Lloyd Schadeverzekering maintains an Actuarial Function and appointed an Actuarial Function Holder (AFH), which hierarchically reports to the CRO of Delta Lloyd Schadeverzekering and functionally to the AFH of NN Group.

The Internal Audit Function

The Dutch Financial Supervision Act ('Wet op het financieel toezicht'), Dutch Corporate Governance Code and Solvency II require Delta Lloyd Schadeverzekering to have an internal audit department which independently assesses the effectiveness of the design of the organisation and the quality of procedures and control measures. Delta Lloyd Schadeverzekering has outsourced internal audit to Corporate Audit Services NN Group (CAS), the internal audit department within NN Group. CAS is an independent assurance function and its responsibilities are established by the Executive Board of NN Group, prediscussed with the Audit Committee and approved by the Supervisory Board of NN Group. CAS is an essential part of the corporate governance structure of NN Group.

CAS provides an independent assessment of the standard of internal control with respect to Delta Lloyd Schadeverzekering business and support processes, including governance, risk management and internal controls. The scope of CAS is defined as every activity, department and office of Delta Lloyd Schadeverzekering, including branches, subsidiaries as well as outsourced activities (with a 'right-to-audit' clause).

CAS is maintaining its objectivity by not participating in any activity or relationship that may impair or be presumed to impair its unbiased assessment. CAS provides adequate and proficient staff for realisation of the assurance activities; dedicated audit staff to ensure appropriate know how of Delta Lloyd Schadeverzekering and shared specialist expertise.

The Internal Audit Head responsible for Delta Lloyd Schadeverzekering is accountable to the General Manager of CAS NN Group. The Internal Audit Head has regular meetings with the CEO and other Management Board members as well as the chair of the Supervisory Board. The hiring, firing and appraisal of the Internal Audit Head responsible for servicing the Internal Audit Services to Delta Lloyd Schadeverzekering is performed in consultation with the CEO of Delta Lloyd Schadeverzekering and in case of hiring or firing the chair of the Supervisory Board of Delta Lloyd Schadeverzekering is consulted.

CAS performs its work in accordance with the International Standards for the Professional Practice of Internal Auditing Standards and Code of Ethics set by the Institute of Internal Auditors (IIA), and with other relevant authorities or professional associations (e.g. NBA, NOREA). These professional standards are incorporated in the CAS Audit Manual. Compliance to the audit manual is embedded at various levels in the audit process and includes review by the independent positioned Professional Practices Management team within NN Group CAS. On a periodic basis CAS globally is subject to an independent external assessment.

Risk Management System

The risk management system is not a serial process but a dynamic and integrated system. The system is structured around three elements, which need to be in place:

- A **risk control cycle**, embedded in
- An **appropriate organisation**, with
- A **comprehensive risk appetite framework**

The business environment of Delta Lloyd Schadeverzekering exposes Delta Lloyd Schadeverzekering to inherent risks and obligations. As such, the environment determines the playing field and rules on which to calibrate all risk management activities. These activities are carried out within Delta Lloyd Schadeverzekering risk appetite and framework.

Every employee has a role in identifying risk in their domain and the role of management is to decide how to manage risk. It is paramount to know which risks we take and why, have our eyes wide open for both the biggest risks and everyday risks, and ensure an adequate return for risk assumed in the business.

With risk management, we do not try to predict the future but instead prepare pro-actively for a wide range of possibilities.

When assessing and managing risks, we work systematically, aim for completeness and document what we do. Each risk analysis performed shall be focused and relevant. It thus becomes clear and transparent throughout the organisation for the benefit of management and stakeholders alike.

Risk control cycle

The risk control cycle of Delta Lloyd Schadeverzekering consists of four steps. The cycle starts with business processes that support business and risk objectives setting (the latter resulting in a risk strategy: risk appetite, policies and standards), followed by business processes aimed at realisation of those objectives, leading to risks which need to be managed by identifying/assessing them, effective mitigation through controls and continuous monitoring of effectiveness of the controls, including reporting of risk levels.

The risk control cycle, combined with the Business Plan / financial control cycle and performance management / HR cycle, enables realisation of business objectives through ensuring that Delta Lloyd Schadeverzekering operates within the risk appetite.

Risk Strategy

Risk Taxonomy

Delta Lloyd Schadeverzekering has defined and categorised its generic risk landscape in a mutually exclusive and collectively exhaustive risk taxonomy as outlined below. The risk taxonomy consists of approximately 50 main risk types clustered in six risk classes. For the use in day-to-day risk management, the main risk types are further split in approximately 150 sub risk types.

Risk class	Description	Main mitigation technique
Emerging Risks	Risks related to future external uncertainties that could pose a threat to the businesses of Delta Lloyd Schadeverzekering	Scenario analyses and contingency planning
Strategic Risks	Risks related to unexpected changes to the business profile and the general business cycle as envisaged during strategic decision making	Scenario analyses and business planning
Market Risk	Risks related to (the volatility of) financial and real estate markets. This includes liquidity risk	New Investment Class Approval and Review Process, Asset Liability Management studies, Strategic Asset Allocations, Limit structure, Derivatives
Counterparty Default Risk	Risk related to the failure to meet contractual debt obligations	Limit structure
Non-Market Risk	Risks related to the products Delta Lloyd Schadeverzekering markets	Product Approval & Review Process, Limit structure, reinsurance
Non-Financial Risk	Risks related to people, inadequate or failed internal processes, including information technology and communication systems and/or external events	Business and Key Controls, Control Testing, Incident Management

Risk appetite framework

Risk appetite is the key link between strategy, the capital plan of Delta Lloyd Schadeverzekering and regular risk management as part of Business Plan execution. Accordingly, the risk appetite of Delta Lloyd Schadeverzekering, and risk tolerance (limits and thresholds) is established in conjunction with the business strategy, both aligned to the overall ambitions.

The Risk Appetite Statements define how Delta Lloyd Schadeverzekering weighs strategic decisions and communicates its strategy to key stakeholders with respect to risk taking. The statements are not hard limits, but inform risk tolerances, contributing to avoiding unwanted or excessive risk taking, and aiming to optimise use of capital. Risk tolerances are the qualitative and quantitative boundaries (limits and thresholds) around risk taking, consistent with the risk appetite statements.

Delta Lloyd Schadeverzekering expresses its risk appetite in four key risk appetite sections, which define several risk appetite statements, relevant risk tolerances, controls and reporting.

The four key risk appetite sections are:

- **Capital management objectives**: Defines appetites on dividend payments related to SF ratio and the need of corrective actions in case this follows from ORSA scenarios
- **Profitability**: Defines appetites for the profitability per line of business based on Risk Adjusted Combined Ratios
- **Financial risks**: Defines appetites for market risk and non-market risk based on several qualitative and quantitative limits
- **Non-Financial risks**: Defines appetites on strategic and operational risk based on several qualitative and quantitative limits

Delta Lloyd Schadeverzekering reports regularly on its risk profile compared to applicable risk appetite and risk limits.

Risk policy framework

The policy framework of Delta Lloyd Schadeverzekering ensures that all risks are managed consistently and that Delta Lloyd Schadeverzekering operates within its risk tolerances. The policies/standards focus on risk measurement, risk control and risk governance. To ensure that policies are efficient and effective they are governed by the risk committee structure. Potential waivers to the policies have to be approved through the respective risk committees.

Risk Assessment & Control

Risk assessments are regularly performed throughout Delta Lloyd Schadeverzekering. For market, counterparty default- and non-market risk, the Standard Formula is leading in risk assessments/measurement. Risks that do not directly impact the balance sheet generally require more professional judgement in identification and quantification: risk footprints (non-financial risks) and scenario analysis (strategic/emerging risks) are used to assess (report and follow up on) identified risks. As part of ORSA, a bottom-up full scope risk assessment is performed at least annually. Risk control activities are proportional to the risks arising from the activities and processes to be controlled. It is the Management Boards responsibility to promote appropriate risk control activities, based on risk identification and risk appetite, by ensuring that all employees are aware of their role in the risk management system.

Own Risk and Solvency Assessment and Internal Capital Adequacy Assessment Process

Delta Lloyd Schadeverzekering prepares an ‘own risk and solvency assessment’ (ORSA) at least once a year. In the ORSA, Delta Lloyd Schadeverzekering articulates its strategy and risk appetite, describes its key risks and how they are managed, analyses whether or not its risks and capital are appropriately modelled and evaluates how susceptible the capital position is to shocks through stress and scenario testing. Stress testing examines the effect of exceptional but plausible scenarios on the capital position of Delta Lloyd Schadeverzekering. Stress testing can also be initiated outside ORSA, either internally or by external parties such as De Nederlandsche Bank (DNB) and European Insurance and Occupational Pensions Authority (EIOPA). The ORSA includes a forward looking overall assessment of the solvency position of Delta Lloyd Schadeverzekering in light of the risks it holds.

Product approval and review process

The product approval and review process (PARP) has been developed to enable effective design, underwriting, and pricing of all products as well as to ensure that they can be managed throughout their lifetime. This process establishes requirements as to the product risk profile features to ensure that products are aligned with the strategy of Delta Lloyd Schadeverzekering. The PARP takes into account customer benefits and product suitability, expected sales volumes, value-oriented pricing metrics and relevant policies. It includes requirements and standards to assess risks as per the risk categories, as well as the assessment of the administration and accounting aspects of the product.

Non-financial risks

Business conduct, operations, continuity & security risks and related second order potential reputation impact are monitored in their mutual relationship as ‘Non-Financial Risk’ (NFR). As NFR risks are identified, assessed, mitigated, monitored and reported in the overall risk control cycle within Delta Lloyd Schadeverzekering. Key NFR risks are included in the quarterly risk reporting.

Risk Monitoring

The risk profile is monitored against the risk appetite, risk assessments, and the risk limits derived from the risk appetite. Results, including deficiencies, conclusions and advices, are to be reported regularly to risk committees. Action shall be taken when monitoring indicates that risks are not adequately controlled.

Risk Reporting

On a quarterly basis, the Management Board of Delta Lloyd Schadeverzekering is presented with an Own Funds – Solvency Capital Requirement Report and an Enterprise Risk Management Report. The first report aims to provide an overview of the quarterly Solvency II capital position. The latter report is to provide one consistent, holistic overview of the risks of Delta Lloyd Schadeverzekering. It focuses on comparing current risk levels to our risk appetite, provides action points from a Risk function perspective, and aims to encourage forward looking risk management.

It builds on the following quarterly reports:

- Financial Risk Report
- Solvency II and Sensitivities Report
- Positions and Capital Charges Report
- Risk Profile Update

Recovery planning

Delta Lloyd Schadeverzekering has determined a set of measures for early detection of and potential response to a financial or non-financial crisis, should it occur. These include monitoring indicators which are expected to provide early-warning of emerging crises, advance preparation of options to raise or release capital, allocation of roles and responsibilities in case of a crisis, and other practical arrangements that may be required depending on the type of crisis.

Risk Profile

The Solvency II Capital ratio is a key indicator of the risk profile of Delta Lloyd Schadeverzekering. The ratio is defined as Eligible Own Funds (EOF) divided by the Solvency Capital Requirement (SCR) based on the Standard Formula. As at 31 December 2017, the ratio amounts to 132%.

Solvency II ratio

In thousands of euros	2017	2016
EOF	421,204	471,191
SCR	319,328	345,191
SII Ratio	132%	137%

Solvency Capital Requirement based on the Standard Formula

The SCR constitutes a risk based capital buffer, which is calculated based on actual risks on the balance sheet. Under Solvency II, the SCR is defined as the loss in basic own funds resulting from a 1-in-200 year adverse event over a one year period. Solvency II capital requirements for Delta Lloyd Schadeverzekering are based on the Standard Formula.

Currently, Delta Lloyd Schadeverzekering is preparing to implement the approved Partial Internal Model by NN Group on its portfolio. Delta Lloyd Schadeverzekering is planning to implement the Partial Internal Model in December 2018 and report accordingly.

The choice for a Partial Internal Model is based on the conviction that an Internal Model better reflects the risk profile of Delta Lloyd Schadeverzekering and has additional benefits for risk management purposes:

- An Internal Model approach can better reflect the specific assets and therefore the market risk in the portfolio of Delta Lloyd Schadeverzekering, e.g. sovereign and other credit risks.
- An Internal Model approach better reflects the P&C risks of Delta Lloyd Schadeverzekering.
- In the case of Disability/Morbidity Risks the product features and experience in the Dutch market are different from those in the wider European market, e.g. greater emphasis is placed on claimants returning to work in the Netherlands.

Capital requirements

In thousands of euros	2017	2016
Market Risk	84,951	93,010
Counterparty Default Risk	28,286	41,209
Health Risk	108,420	129,361
Non-Life Risk	291,304	302,455
Total BSCR (before diversification)	512,961	566,035
Diversification	-148,841	-171,460
Total BSCR (after diversification)	364,120	394,575
Operational Risk	34,795	34,234
LACDT	-79,587	-83,618
Total SCR	**319,328**	**345,191**

Main types of risks

As outlined above, the following principal types of risk are associated with the business of Delta Lloyd Schadeverzekering which are further discussed below.

Market, counterparty default and liquidity risk:

- **Market and counterparty default risk**: Market risk is the risk of potential losses due to adverse movements in financial market variables and includes equity risk, property risk, interest rate risk, spread risk, currency risk and concentration risk. Counterparty default risk is the risk of potential losses from failure to meet contractual debt obligations
- **Liquidity risk**: Liquidity risk is the risk that Delta Lloyd Schadeverzekering does not have sufficient liquid assets to meet its financial obligations when they become due and payable, at reasonable cost and in a timely manner. This is not part of the SCR Standard Formula.

Non-Market risk:

- **Insurance risk:** Insurance risk is the risk related to the events insured by Delta Lloyd Schadeverzekering and comprise actuarial and underwriting risks such as property and casualty (P&C), morbidity and mortality risks, which result from the pricing and underwriting of insurance contracts. Also expense risk and persistency (lapse) risk are included in insurance risk.

Non-Financial risk:

- **Business conduct risk - type 1**: risk related to unethical or irresponsible corporate behaviour.
- **Business conduct risk - type 2**: risk related to inappropriate employee behaviour.
- **Business conduct risk - type 3**: risk related to customer suitability of products.
- **Business operations risk**: risks related to inadequate or failed internal processes, including information technology and communication systems.
- **Business continuity & security risk**: risk of accidents or external events impacting continuation or security of (people or assets in) our business operations.

Market and counterparty default risk

Market and counterparty default risks are the risks related to the impact of financial markets on the balance sheet of Delta Lloyd Schadeverzekering.

The table below sets out the SCR for market risks:

Market Risk Capital requirements

In thousands of euros	2017	2016
Interest Rate Risk	20,779	23,652
Equity Risk	17,440	18,373
Spread Risk	62,836	69,739
Property Risk	-	-
Currency Risk	5,146	4,599
Concentration Risk	24,539	26,273
Diversification Market Risk	-45,788	-49,626
Market Risk	**84,951**	**93,010**

Spread risk and concentration risk are the main market risk types in the portfolio of Delta Lloyd Schadeverzekering under the Standard Formula. Decrease of spread risk is due to a reclassification from plain vanilla bonds to covered bonds. Delta Lloyd Schadeverzekering is exposed to concentration risk due to a loan with Rabobank as counterparty. This exposure remained stable over 2017.

Equity risk

Equity risk is defined as the possibility of having losses in Solvency II own funds due to adverse changes in the level of equity market prices. Exposure to equity risk arises from direct or indirect asset or liability positions, including equity derivatives such as futures and options, that are sensitive to equity prices. From a Solvency II Balance Sheet perspective, equity investments provide up-side return potential.

Risk profile

Delta Lloyd Schadeverzekering reduced its equity risk by net selling EUR 16 million leading to an own risk position at 31 December 2017 of EUR 57 million (2016: EUR 73 million). Approximately 54% of these equity investments were in investment funds and 46% in private equity.

As shown in the market and credit risk table, equity risk slightly decreased over the course of 2017. This was primarily due to the increase of the Standard Formula stresses on equity as prescribed by EIOPA (transitional measures). This effect is more than offset by the reduction of the equity position.

Risk mitigation

Exposure to equities provides for additional diversification and up-side return potential in the asset portfolio of an insurance company. The concentration risk on individual issuers is mitigated under relevant investment mandates.

Property risk

Property risk is the risk of loss of market value of real estate assets. Market values are driven by a change in rental prices, required investor yield, and/or other factors.

Risk profile

There is no exposure property risk in the assets and liabilities hence on 31 December 2017, the property portfolio is valued at EUR 0 million (2016: EUR 0 million).

Risk mitigation

No property is included in the Delta Lloyd Schadeverzekering portfolio and therefore no risk mitigation actions are determined.

Interest rate risk

Interest rate risk is the impact of interest rate changes on own funds as a result of the associated change in the value of the assets and liabilities.

Risk profile

Delta Lloyd Schadeverzekering is subject to interest rate risk as the market value of the assets and liabilities depends mainly on interest rates. There is an additional risk regarding fixed-income assets and instruments, as the yields on these assets may develop differently from the yields used to value the insurance liabilities.

Risk mitigation

Delta Lloyd Schadeverzekering hedges its economic interest rate exposure by investing in fixed income investments matching liability maturities. Interest rate risk management focuses on matching asset and liability cash flows as much as possible.

Risk measurement

For purposes of discounting liabilities under Solvency II - therefore relevant for EOF, Delta Lloyd Schadeverzekering uses the EIOPA curve with Volatility Adjustment. The Volatility Adjustment is treated as part of the spread risk. In line with Solvency II, Delta Lloyd Schadeverzekering extrapolates the EUR swap curve from the 20 year point onwards to the Ultimate Forward Rate (UFR). The sensitivity of EOF for interest rate risk primarily depends on the level of cash flow matching between assets and liabilities up to the 20 year point, and the difference between the swap curve and the curve extrapolated to the UFR for longer cash flows. The impact of applying UFR for Delta Lloyd Schadeverzekering is not material.

The capital requirement for interest rate per 2017 Q4 is EUR 21 million. The 2016 Q4 amount was EUR 24 million. The downwards movement of the SCR is a result of the movement of the interest rate curve.

Counterparty default risk, spread risk and concentration risk (credit risk)

Credit risk consists of counterparty default risk, spread risk and concentration risk. Counterparty default risk is the risk that counterparties are unable or unwilling to meet all or part of their payment obligations. Spread risk is the risk that the perceived risk of default increases, reducing the value of the asset (bond, mortgage or otherwise). Concentration risk arises from the concentration of default risk at large counterparties and from inadequate sector or country diversification.

Defaults may occur in the bond, mortgage and consumer and commercial loan portfolios or at counterparties including reinsurers, insurance intermediaries, policyholders, banks, derivative counterparties and other debtors. Restrictions were in place to limit concentrations to individual counterparties and countries, based on the internal model as well as based on external ratings.

Risk profile

The credit risk that Delta Lloyd Schadeverzekering is exposed to is shown in the table below. The collateral has been capped at the carrying value of the asset. The table below should be read in accordance with the paragraphs and tables in the remainder of this section, which provide details about the risk characteristics of the outstanding risk exposures shown in the table below.

At 31 December 2017, Delta Lloyd Schadeverzekering debt securities amounted to EUR 1,597 million (2016: EUR 1,585 million), 43% (2016: 44%) of which was invested in government bonds, 54% (2016: 51%) in corporate and collateralised bonds and 3% (2016: 5%) in bonds of non-central government institutions.

Credit risk own risk

	2017			2016		
In thousands of euros	Gross credit risk	Collateral	Net credit risk	Gross credit risk	Collateral	Net credit risk
Debt securities	1,597,405	-	1,597,405	1,585,313	-	1,585,313
Loans and receivables at amortised cost	207,582	107,076	100,507	212,341	111,356	100,985
Reinsurance assets	121,173	58,489	62,684	119,100	64,038	55,063
Receivables and other financial assets	250,903	-	250,903	312,920	-	312,920
Derivatives	407	-	407	413	-	413
Deferred tax assets	24,192	-	24,192	20,353	-	20,353
Accrued interest and prepayments	32,444	-	32,444	34,776	-	34,776
Cash and cash equivalents	14,436	-	14,436	95,329	-	95,329
Maximum credit risk recognised on the statement of financial position	2,248,543	165,565	2,082,978	2,380,545	175,393	2,205,152
Gross maximum credit risk not recognised on the statement of financial position	18,985	-	18,985	21,214	-	21,214
Gross maximum credit risk	**2,267,528**	**165,565**	**2,101,964**	**2,401,759**	**175,393**	**2,226,366**

For the above-mentioned exposures, Delta Lloyd Schadeverzekering received property as collateral for the loans and receivables at amortised cost and cash as collateral for the derivatives.

Delta Lloyd Schadeverzekering maintains a diversified fixed-income investment portfolio, structured to match its insurance liabilities. Its credit risk is primarily related to government bonds, corporate bonds, residential mortgages and reinsurance assets. Delta Lloyd Schadeverzekering's fixed income portfolio managers and specialist staff are primarily responsible for managing default risk. Default rates of Delta Lloyd Schadeverzekering's residential mortgage loans are monitored and reported monthly. All assets exposed to credit defaults are monitored at group level. The exposure of the asset portfolio to default and concentration risk is analysed in depth each quarter.

Exposure to sovereign and sub-sovereign debt of southern European countries and Ireland at 31 December 2017 amounts to EUR 77 million, compared to EUR 58 million at year-end 2016.

The tables below show Delta Lloyd Schadeverzekering's total exposure to risks on southern European countries and Ireland, including lending to the financial sector and other private businesses. Lending to private businesses in these countries is, by their nature and activities, not necessarily exposed to the same credit risk as in countries where their headquarters are located. The tables are based on Delta Lloyd Schadeverzekering's 'country of risk' methodology and the figures include accrued interest. Delta Lloyd Schadeverzekering does not hedge these risks.

Position in sovereign, sub-sovereign and other bonds at year-end

In thousands of euros	Sovereign and sub-sovereign bonds	Corporate bonds (non-financials)	Corporate bonds (financials)	Other bonds	Position at 31 December 2017
Portugal	-	2,769	-	25,467	28,236
Italy	23,207	9,328	10,308	37,537	80,380
Ireland	24,416	5,044	513	10,252	40,225
Greece	-	2,185	-	-	2,185
Spain	29,101	14,664	11,487	54,108	109,361
Total	**76,724**	**33,991**	**22,309**	**127,363**	**260,387**

Position in sovereign, sub-sovereign and other bonds at prior year-end

In thousands of euros	Sovereign and sub-sovereign bonds	Corporate bonds (non-financials)	Corporate bonds (financials)	Other bonds	Position at 31 December 2016
Portugal	-	2,802	-	22,358	25,160
Italy	34,358	10,229	7,249	34,730	86,566
Ireland	4,333	2,542	206	11,976	19,057
Greece	-	2,222	-	-	2,222
Spain	19,281	16,842	6,989	51,345	94,458
Total	**57,972**	**34,638**	**14,444**	**120,408**	**227,462**

Cash position (treasury) limits are in place to cap the exposure on individual counterparties, and are based on credit ratings. Delta Lloyd Schadeverzekering monitors this at regular intervals.

The concentration risk in relation to reinsurance contracts is monitored through the Delta Lloyd Security List, which contains the maximum exposure per reinsurance counterparty.

The tables below show the own credit risk based on external ratings. The external ratings are based on Standard & Poor's, but if these ratings are not available then Moody's or Fitch is used. The portfolio exposed to credit risk remained relatively stable over 2017 (an increase of EUR 10 million).

Gross credit risk at year-end

In thousands of euros	AAA	AA	A	BBB	BB	B	Without external rating	Total 2017
Debt securities	482,240	439,281	272,372	351,988	8,864	927	41,733	1,597,405
Loans and receivables	-		-	-	-	-	207,582	207,582
Reinsurance assets	-	35,834	53,898	559	-	-	30,881	121,173
Total	**482,240**	**475,115**	**326,270**	**352,547**	**8,864**	**927**	**280,196**	**1,926,160**

Gross credit risk at prior year-end

In thousands of euros	AAA	AA	A	BBB	BB	B	Without external rating	Total 2016
Debt securities	522,055	438,141	216,466	352,403	12,373	641	43,233	1,585,313
Loans and receivables	-	-	-	-	-	-	212,341	212,341
Reinsurance assets	-	28,846	64,924	183	-	-	25,148	119,100
Total	**522,055**	**466,987**	**281,390**	**352,586**	**12,373**	**641**	**280,722**	**1,916,754**

The tables below provide details on the carrying amount of financial assets that have been impaired and the ageing of financial assets that are past due but have not been impaired.

Financial assets after impairments at year-end

In thousands of euros	Neither past due nor impaired	Financial assets that are past due but not impaired	Financial assets that have been impaired	Total 2017
Debt securities	1,597,405	-	-	1,597,405
Loans and receivables	206,745	837	-	207,582
Receivables and other financial assets	239,173	9,682	2,047	250,903
Total	**2,043,323**	**10,519**	**2,047**	**2,055,890**

Financial assets after impairments at prior year-end

In thousands of euros	Neither past due nor impaired	Financial assets that are past due but not impaired	Financial assets that have been impaired	Total 2016
Debt securities	1,581,169	-	4,145	1,585,313
Loans and receivables	211,708	632	-	212,341
Receivables and other financial assets	283,868	26,447	2,605	312,920
Total	**2,076,745**	**27,080**	**6,749**	**2,110,574**

Maturity of financial assets that are past due but not impaired at year-end

In thousands of euros	Within three months	Between three and six months	Between six months and a year	More than one year	Total 2017
Loans and receivables	677	-	160	-	837
Receivables and other financial assets	5,918	8,845	4,832	249	9,682
Total	**6,595**	**8,845**	**4,672**	**249**	**10,519**

Maturity of financial assets that are past due but not impaired at prior year-end

In thousands of euros	Within three months	Between three and six months	Between six months and a year	More than one year	Total 2016
Loans and receivables	149	483	-	-	632
Receivables and other financial assets	10,045	6,734	9,668	-	26,447
Total	**10,194**	**7,217**	**9,668**	**-**	**27,080**

The fair value of collateral held for loans that are past due and not yet impaired was EUR 0.8 million on 31 December 2017 (2016: EUR 0.6 million).

Risk mitigation

Delta Lloyd Schadeverzekering aims to maintain a low-risk, well diversified fixed income portfolio. Delta Lloyd Schadeverzekering has a policy of maintaining a high quality investment grade portfolio while avoiding large risk concentrations. The concentration risk on individual issuers is managed using rating-based issuer limits on one (group of related) single name(s), effectively managing the default risk of the issuers.

Risk measurement

The SCR for spread risk decreased from EUR 70 million at the end of 2016 to EUR 63 million at the end of 2017 due to a reclassification from plain vanilla bonds to covered bonds.

Delta Lloyd Schadeverzekering is exposed to concentration risk due to a loan with Rabobank as counterparty. The SCR for concentration risk is EUR 25 million.

The SCR for counterparty default risk decreased from EUR 41 million at the end of 2016 to EUR 28 million at the end of 2017. This is due to several movements, including a decrease of cash position, an increase of the exposures at higher rated counterparties (type 1 counterparty default risk) and a decrease of exposure at past-due debtors (type 2 counterparty default risk).

Currency risk

Currency risk measures the impact of losses related to changes in currency exchange rates.

The table below demonstrates foreign currency assets and liabilities that are held at Delta Lloyd Schadeverzekering. The amounts are before and after hedging using currency derivatives.

Foreign currency exposure

	2017			2016		
In thousands of euros	Currency exposure	Hedged through currency derivative	Net currency exposure	Currency exposure	Hedged through currency derivatives	Net currency exposure
Pound sterling	943	4,394	-3,450	11,953	12,125	-173
US dollar	8,700	9,202	-502	18,673	17,363	1,309
Swedish krona	-	-	-	1	-	1
Total	**9,644**	**13,596**	**-3,952**	**30,626**	**29,488**	**1,137**

Risk profile

Currency risk can occur on the level of Delta Lloyd Schadeverzekering when assets and/or liabilties are in another currency than the Euro.

Risk mitigation

The currency risk is mitigated by limiting investment to the local currency assets.

Liquidity risk

Liquidity risk is the risk that Delta Lloyd Schadeverzekering does not have sufficient liquid assets to meet its financial obligations when they become due and payable, at reasonable cost and in a timely manner. Liquidity in this context is the availability of funds, or certainty that funds will be available without significant losses, to honour all commitments when due.

Risk profile

Delta Lloyd Schadeverzekering faces limited liquidity risk: there are sufficient liquid investments and inflows of new premiums compared to a stable outflow of payments. The LCR largely meets the target, i.e. the ratios show that in case of a stress situation (e.g. mass lapse, catastrophe) Delta Lloyd Schadeverzekering will have sufficient stock of assets.

The table below provides details on the contractual maturity of the assets on the statement of financial position. The derivatives are presented in a separate table. The receivables and other financial assets are not included in the statement as they are held for the short term. See section 2.7.12 ‘Receivables and other financial assets’ for further information.

Contract maturity date of assets at year-end

In thousands of euros	Within one year	Between one and three years	Between three and five years	More than five years	Not stated	Total 2017
Goodwill	-	-	-	-	3,047	3,047
Deferred acquisition costs	-	-	-	-	36,982	36,982
Debt securities	123,906	282,722	381,706	809,071	-	1,597,405
Equity securities	-	-	-	-	149,719	149,719
Loans and receivables	77	449	-	207,056	-	207,582
Reinsurance assets	52,589	47,378	8,361	12,844	-	121,173
Accrued interest and prepayments	32,444	-	-	-	-	32,444
Cash and cash equivalents	14,436	-	-	-	-	14,436
Total	**223,453**	**330,550**	**390,066**	**1,028,972**	**189,748**	**2,162,789**

Contract maturity date of assets at prior year-end

In thousands of euros	Within one year	Between one and three years	Between three and five years	More than five years	Not stated	Total 2016
Goodwill	-	-	-	-	3,047	3,047
Deferred acquisition costs	-	-	-	-	44,195	44,195
Debt securities	63,263	254,963	328,456	938,631	-	1,585,313
Equity securities	-	-	-	-	162,219	162,219
Loans and receivables	3	223	14	212,101	-	212,341
Reinsurance assets	52,762	41,090	8,575	16,674	-	119,100
Accrued interest and prepayments	34,776	-	-	-	-	34,776
Cash and cash equivalents	95,329	-	-	-	-	95,329
Total	**246,133**	**296,276**	**337,045**	**1,167,406**	**209,460**	**2,256,320**

The tables below presents the maturity analysis for derivatives. All positive cash flows are added up and broken down by maturity, and all negative cash flows are added up and broken down by maturity. Note that neither the positive nor the negative cash flows are discounted, so they cannot be reconciled with the statement of financial position.

Contract maturity date of derivatives at year-end

In thousands of euros	Within one year	Between one and three years	Between three and five years	More than five years	Total 2017
Positive cashflow	18,885	6,573	1,696	-	27,154
Negative cashflow	18,862	8,216	2,063	-	29,140

Contract maturity date of derivatives at prior year-end

In thousands of euros	Within one year	Between one and three years	Between three and five years	More than five years	Total 2016
Positive cash flow	29,673	3,486	4,654	-	37,812
Negative cash flow	29,896	5,235	6,659	-	41,790

The tables below provides information on the contract maturity dates of the insurance contracts. The amounts are discounted cash flows.

Contract maturity date of insurance contract liabilities at year-end

In thousands of euros	Within one year	Between one and five years	Between five and fifteen years	More than fifteen years	Total 2017
Insurance liabilities	525,881	817,048	433,940	114,496	1,891,364
Total	**525,881**	**817,048**	**433,940**	**114,496**	**1,891,364**

Contract maturity date of insurance contract liabilities at prior year-end

In thousands of euros	Within one year	Between one and five years	Between five and fifteen years	More than fifteen years	Total 2016
Insurance liabilities	527,128	773,367	476,967	118,496	1,895,957
Total	**527,128**	**773,367**	**476,967**	**118,496**	**1,895,957**

The table below provides details on the contractual maturities of borrowings. Items that do not generate cash flow are discounting, amortisation of expenses, value changes in derivatives, own risk surcharges and the like. In addition, undiscounted future interest payments are reported in a separate line and allocated to the relevant maturity category. Interest payments on subordinated debt are recognised until the first call date.

Contract maturity date of borrowings at year end

In thousands of euros	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	More than five years	Total 2017
Subordinated debt *	-	-	-	-	-	130,000	130,000
Total borrowings	-	-	-	-	-	130,000	130,000
Future interest payments *	7,280	7,280	7,280	7,280	7,280	14,560	50,960
Total borrowings including future interest payments	**7,280**	**7,280**	**7,280**	**7,280**	**7,280**	**144,560**	**180,960**

* Subordinated debt maturities and related future interest payments are based on first call date. For the legal date of maturity reference is made to section 2.7.20 'Subordinated Debt'.

Contract maturity date of borrowings at prior year end

In thousands of euros	Within one year	Between one and two years	Between two and three years	Between three and four years	Between four and five years	More than five years	Total 2016
Subordinated debt *	-	-	-	-	-	130,000	130,000
Total borrowings	-	-	-	-	-	130,000	130,000
Future interest payments *	7,280	7,280	7,280	7,280	7,280	21,840	58,240
Total borrowings including future interest payments	**7,280**	**7,280**	**7,280**	**7,280**	**7,280**	**151,840**	**188,240**

* Comparative figures have been adjusted to present maturities of subordinated debt and related future interest payments based on first call date. For the legal date of maturity reference is made to section 2.7.20 'Subordinated Debt'.

Risk measurement

Liquidity risk is measured through several metrics including ratios and cash flow scenario analysis, in the base case and under several stressed scenarios. The liquidity risk metrics indicate that liquidity resources would be sufficient to meet expected liquidity uses under the scenarios tested. Delta Lloyd Schadeverzekering does not calculate a specific SCR for liquidity risk as liquidity is not included in the Standard Formula.

Insurance Risk

Insurance risks are the risks related to the events insured by Delta Lloyd Schadeverzekering and comprise actuarial and underwriting risks such as property and casualty (P&C), morbidity and mortality risks, which result from the pricing and underwriting of insurance contracts. Under the standard formula, also expense risk and persistency (lapse) risk are included in insurance risk.

Risk profile

SCR Insurance Risk

In thousands of euros	2017	2016
Health	108,420	129,361
Non Life	291,304	302,455

Health risk of Delta Lloyd Schadeverzekering lies in health insurance which pays out a fixed amount, reimburses losses (e.g. loss of income), related to certain illness or disability events. Health risk decreased in 2017 due to a conversion of WIA policies to the NN portfolio and due to assumption changes to align the SCR calculations with NN Schade Standard Formula methodology.

The Delta Lloyd Schadeverzekering portfolio includes Non Life (P&C) products covering risks such as fire damage, car accidents, personal and professional liability, windstorms, hail, and third party liabilities.

Risk mitigation

Proper pricing, underwriting, claims management, and diversification are the main risk mitigating actions for insurance risks.

By expanding insurance liabilities to cover multiple geographics, product benefits and lengths of contract Delta Lloyd Schadeverzekering reduces the likelihood that a single risk event will have a material impact on the financial condition of Delta Lloyd Schadeverzekering.

Management of the insurance risks is done by ensuring that the terms and conditions of the insurance policies that Delta Lloyd Schadeverzekering underwrites are correctly aligned with the intended policyholder benefits to mitigate the risk that unintended benefits are covered. This is achieved through underwriting standards, product design requirements, and product approval and review processes.

Insurance risks are diversified between business lines and product groups. Risk not sufficiently mitigated by diversification is managed through concentration and exposure limits and through reinsurance: Tolerance limits for non-life insurance risks are set by line of business for catastrophic events.

Besides the previously described main risk mitigating actions: risk that is not sufficiently mitigated by diversification is managed through concentration and exposure limits and through reinsurance:

- Catastrophic events are a major risk to Delta Lloyd Schadeverzekering. The main natural catastrophe threatening the Netherlands is storms causing severe wind damage. Delta Lloyd Schadeverzekering's cumulative risk (maximum possible loss) resulting from natural disasters (particularly storms) is identified using postal codes. Delta Lloyd purchased a reinsurance contract offering protection against an 1-in-200 year storm based on the RMS catastrophe model.
- In addition, reinsurance contracts per risk group are in place, covering Delta Lloyd Schadeverzekering against large one- off events such as fires. All these contracts cover both Dutch property and casualty entities within Delta Lloyd Schadeverzekering.
- The Dutch Marine Insurance (DMI) portfolio risk was transferred in 2014 to a reinsurance company. The reinsurance company that took over the risk is specialised in runoff businesses. By setting up a trust, the counterparty default risk of this transaction is minimised.
- Delta Lloyd Schadeverzekering participates in the Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden N.V. (NHT) to mitigate the risk from terrorism. Due to the geographic concentration of insurance risks, terror attacks can potentially have a major impact on the operating result of Delta Lloyd Schadeverzekering. Delta Lloyd Schadeverzekering has, however, limited its exposure to the risk of terrorism to a significant degree by taking part in the NHT, whereby any claims due to terrorism are first covered by the insurance industry as a whole through the NHT reinsurance pool. The NHT reinsurance pool may prove insufficient due to the unpredictable nature of targeted terrorist attacks.

Reinsurance creates credit risk which is managed in line with the reinsurance credit risk policy of NN Group.

Next to the mitigation actions mentioned above, policyholder behaviour risks – such as lapse risk - are managed through the product development, product approval and review processes and by ensuring that appropriate advice is given to the customer, not only at the point of sale but also during the lifetime of the product. The policyholder behaviour experience of in-force policies is assessed at least annually.

As part of its strategy, Delta Lloyd Schadeverzekering has put several programmes in place to own and improve the customer experience. These programmes improve the match between customer needs and the benefits and options provided by products of Delta Lloyd Schadeverzekering. Over time, understanding and anticipation of the choices policyholders are likely to make, will improve, thereby decreasing the risk of a mismatch between actual and assumed policyholder behaviour.

Ongoing initiatives are in place to manage expense risk throughout Delta Lloyd Schadeverzekering. These initiatives seek to variabilise expenses to the underlying contracts in place.

Non-Financial Risk

Non-financial risk includes business operations and continuity & security risk and business conduct risk as described below.

Business operations and continuity & security risk

Risk profile

Business operations and continuity & security risks are non-financial risks that include direct or indirect losses resulting from inadequate or failed internal processes (including as a result of fraud

and other misconduct), systems failure (including information technology and communications systems), human error, and certain external events.

The business operations risk management areas are:

- **Operational control risk**: the risk of not (timely) detecting adverse deviations form strategy, policies, procedures, work instructions or authorised activities.
- **Operational execution risk**: the risk of human errors during (transaction) processing.
- **Financial accounting risk**: the risk of human errors during general ledger/risk systems processing and subsequent financial reporting.
- **Information (technology) risk (including cyber-risk)**: the risk of data (information) corruption, misuse or unavailability in IT systems, either through external causes (cybercrime) or internal causes.
- **Operational change risk**: the risk that actual results of changes to the organisation (this includes changes in processes, products, IT, methods and techniques) differs adversely from the envisaged results.
- **Outsourcing risk**: the risk that outsourced activities or functions perform adversely as compared to performing them in-company. This includes the risk of unclear mutual expectations as documented in the outsourcing agreement, risk of unreliable outsourcing partner (both (un)intentional), operational control, information security and continuity risk of the outsourcing partner.
- **Legal risk**: the risk that emerging laws and regulations, agreements, claims, regulatory inquiries or disclosures potentially result in damage to brand and reputation of Delta Lloyd Schadeverzekering, legal or regulatory sanctions or liability resulting in financial loss.
- **External fraud risk**: the risk of intended acts by a third party to defraud, misappropriate property or circumvent the law.

The business continuity & security risk management areas are:

- **Continuity risk**: the risk of primary business processes being discontinued for a period beyond the maximum outage time.
- **Personal & physical security risk**: the risk of criminal acts or environmental threats that could endanger Delta Lloyd Schadeverzekering’s employees' safety, Delta Lloyd Schadeverzekering’s assets (including physically stored data/information) or Delta Lloyd Schadeverzekering's offices.

Risk mitigation

Non-financial risk assessments are done based on historic data as well as on a forward looking basis in order to capture future risks. Once mitigating measures have been implemented and proven to be effective through monitoring and testing, the residual risk becomes the managed risk.

Mitigation of risks can be preventive in nature (e.g. training and education of employees, preventive controls, etc.) or can be implemented upon discovery of a risk (e.g. enforcement of controls, disciplinary measures against employees). Risk mitigating actions or controls are based on a balance between the expected cost of implementation and the expected benefits.

Delta Lloyd Schadeverzekering conducts regular risk and control monitoring to measure and evaluate the effectiveness of key controls. It determines whether the risks are within the norms for risk appetite and in line with the ambition levels and policies and standards. The exposure of Delta Lloyd Schadeverzekering to non-financial risks is regularly assessed through risk assessments and monitoring. After identification of the risks, each quantifiable risk is assessed as to its likelihood of occurrence as well its potential impact, should it occur. Actions required to mitigate the risks are identified and tracked until the risk is either reduced, if such a reduction is possible, or accepted as a residual risk if the risk cannot be mitigated.

The business process owners are responsible for the actual execution of the controls and for assessing the adequacy of their internal controls. Operational risk management, as part of the second line of defence, is responsible for providing management with an objective assessment of the effectiveness and efficiency of risks and controls of Delta Lloyd Schadeverzekering.

Risk measurement

The SCR of Delta Lloyd Schadeverzekering for operational risk was EUR 35 million as at 31 December 2017 (2016: EUR 34 million). The SCR is calculated based on the Standard Formula for Solvency II. As it is additive to the modelled SCR, it should be considered as net of diversification with other risks.

Business conduct risk

Risk profile

Delta Lloyd Schadeverzekering is committed to helping our customers secure their financial future. To fulfil this purpose, we base our work on three core values: care, clear, commit. Our Values set the standard for conduct and provide a compass for decision making. Further, Delta Lloyd Schadeverzekering is committed to the preservation of its reputation and integrity through compliance with applicable laws, regulations and ethical standards in each of the markets in which it operates (Business conduct risk). All employees are expected to adhere to these laws, regulations and ethical standards, and management is responsible for embedding the compliance related rules. Compliance is therefore an essential ingredient of good corporate governance. Delta Lloyd Schadeverzekering continuously enhances its business conduct risk management programme to ensure that Delta Lloyd Schadeverzekering complies with international standards and laws.

Risk mitigation

Delta Lloyd Schadeverzekering separates compliance risk into three risk areas: corporate conduct (includes internal fraud), employee conduct and customer suitability. In addition to effective reporting systems, Delta Lloyd Schadeverzekering has also a whistle blower procedure which protects and encourages staff to ‘speak up’ if they know of or suspect a breach of external regulations, internal policies or our values. Delta Lloyd Schadeverzekering also has policies and procedures regarding anti-money laundering, sanctions and anti-terrorist financing, gifts and entertainment, anti-bribery, customer suitability, conflicts of interest and confidential and inside information, as well as a code of conduct for its personnel. Furthermore, Delta Lloyd Schadeverzekering designates specific countries as ‘ultra-high risk’ and prohibits client engagements and transactions (including payments or facilitation) involving those countries.

Delta Lloyd Schadeverzekering performs a product review process when developing products and continuously invests in the maintenance of risk management, legal and compliance procedures to

monitor current sales practices. Customer protection regulations as well as changes in interpretation and perception of acceptable market practices by both the public at large and governmental authorities might influence customer expectations. The risk of potential reputational and financial impact from products and sales practices exists because of the market situation, customer expectations, and regulatory activity. The compliance function and the business work closely together with the aim to anticipate changing customers' needs.

Risk measurement

There is no specific business conduct risk capital calculated, however, it is considered to be part of the Operational Risk SCR.

IFRS Net Result Sensitivity analysis

Following the risk appetite described above, Delta Lloyd Schadeverzekering also calculates sensitivities of IFRS net result. These risk sensitivities are designed to estimate a 1-in-20 year risk for the various risk factors. The following table sets out the shocks to parameters used to assess the sensitivities.

Sensitivity description

Factor	Desciption of sensitivity factor
Interest rate risk	Measured by parallel upward and downward shift of 100 basis points in interest rates.
Equity risk	Measured by the maximum loss between an 31% upward and downward shock in equity prices. Equity shocks can impact IFRS net results due to (amongst others): impairment losses and fair value accounting.
Currency risk	Measured by the impact of the worse of a 20% upward or downward movement in all currencies compared to the euro. IFRS net result can be impacted by FX movements in coupons, positions classified as Trading, or the amortised cost part of Assets classified as Available For Sale
Spread risk	Determined using 1-in-20 Value at Risk shocks for marked-to-market individual assets based on SII. IFRS net result can be impacted by changes in spreads in impaired assets, positions classified as Trading and guarantees.
Counterparty default risk	Determined using 1-in-20 shocks for (i) fixed income assets at book value (that do not fall under spread risk) and (ii) for derivatives, reinsurance, money market (type I), and Loans, including residential mortgages (Type 2).
Property	This is measured by the impact of an 8% drop in real estate prices only for the minority holdings and for all real estate revalued through P&L. Other holdings will be included in case of possible impairments caused by a drop in prices.
Health / Non Life	IFRS net result can be impacted by 1-in-20 insurance risk shocks. The 1-in-20 insurance risks shocks are determined by multiplying the SF SCRs for the insurance risks by scaling factors as prescribed by NN Group.

The table below sets out various market and insurance risk impacts of one year 1-in-20 year sensitivities for IFRS net result.

The IFRS balance sheet is most sensitive to insurance risk. The 2017 numbers show a decrease in insurance risk sensitivity due to the decrease of the SCR as a result of assumption updates for both Health Risk and Non Life Risk.

Sensitivity analysis

In thousands of euros		2017	2016 *
Market risk and credit risk	Interest Rate Upward Shock	550	-671
	Interest Rate Downward Shock	-5,722	-4,407
	Equity	-477	-713
	Spread	-18,995	-20,228
	Currency	-1,529	-1,366
	Counterparty default	-481	-705
Insurance Risk	Health	-22,686	-27,097
	Non Life	-131,264	-136,226

* comparative figures have been adjusted to reflect the new methods for the sensitivity analysis.

2.7.2 Capital management

Objectives, policies and processes

Objective

The goal of Delta Lloyd Schadeverzekering’s Capital and liquidity management is to adequately capitalise Delta Lloyd Schadeverzekering at all times to meet the interests of our stakeholders, including our customers and shareholders. The capital and liquidity position is assessed based on regulatory and economic requirements. Delta Lloyd Schadeverzekering closely monitors and manages the following metrics: Own Funds/Solvency Capital Requirement (SCR), capital generation and liquidity.

Capital management and framework

Capital management takes place within the framework set by the NN Group Management Board for its subsidiaries on the basis of policy documents, guidelines and procedures. The main document providing guidance for the capital management is Delta Lloyd Schadeverzekering's Capital Policy.

Capital adequacy is ensured through the capital planning process which starts with the annual budgeting process in which a capital plan is prepared for Delta Lloyd Schadeverzekering. Risk limits drive the target setting and are the basis of this plan. NN Group’s Capital Management department closely monitors the capitalisation of its subsidiaries, including Delta Lloyd Schadeverzekering. If necessary, measures are taken to ensure capital adequacy. Capital management transactions are executed at NN Group level. The CFO of Delta Lloyd Schadeverzekering is primarily responsible for the solvency of Delta Lloyd Schadeverzekering and manages its solvency on a regulatory basis.

Main events 2017

In December 2017 Delta Lloyd Schadeverzekering paid EUR 20 million dividend.

Solvency II

Solvency II is the regulatory framework for (re-)insurance undertakings and groups domiciled in the EU.

Under the Solvency II regime, required capital (Solvency Capital Requirement) is risk-based and calculated as the post-tax value-at-risk at the confidence interval of 99.5% on a one-year horizon.

Available capital (Own Funds) is determined as the excess of assets over liabilities, both based on economic valuations, plus qualifying subordinated debt. The EU Solvency II directive requires that (re-)insurance undertakings and groups hold sufficient Eligible Own Funds to cover the Solvency Capital Requirement.

Delta Lloyd Schadeverzekering uses the Standard Formula (SF) to calculate capital requirements under Solvency II.

Eligible Own Funds and Solvency Capital Requirements

In thousands of euros	2017	2016
Shareholders' funds	240,489	277,159
Elimination deferred acquisition costs and other intangible assets	-40,029	-47,241
Valuation differences on assets	-10,206	5,352
Valuation differences on liabilities, including insurance	109,733	109,936
Deferred tax effect in valuation differences	-15,043	-15,971
Excess assets/ liabilities	**284,945**	**329,235**
Qualifying subordinated debt	139,989	141,956
Foreseeable dividends and distributions	-3,730	-
Basic Own Funds	**421,204**	**471,191**
Eligible Own Funds to cover Solvency Capital Requirements (a)	**421,204**	**471,191**
of which Tier 1 unrestricted	272,066	324,854
of which Tier 1 restricted	68,016	81,213
of which Tier 2	71,973	60,742
of which Tier 3	9,149	4,382
Solvency Capital Requirements (b)	**319,328**	**345,191**
Solvency II ratio (a/b) *	132%	137%

* The Solvency ratios are not final until filed with the regulators. SII ratios are based on the standard formula.

Further details on the Delta Lloyd Schadeverzekering capital requirements at 31 December 2017 are provided in section 2.7.1 ‘Risk Management’.

The final amount of the Solvency Capital Requirement is still subject to supervisory assessment.

The Own Funds decreased by EUR 50 million to EUR 421 million in 2017. Main reasons for the decrease are the dividend payment of EUR 20 million and unfavourable operating results.

Structure, amount and quality of own funds

Subordinated liabilities included in NN Group own funds

Interest Rate	*Issuer*	*Year of issue*	*Notional*	*Due date*	*First call date*	*Own funds tier*	2017	2016
5.600%	NN Group N.V.	2014	130,000	perpetual	27 June 2024	Tier 1	139,989	141,956

As on 27 June 2014, Delta Lloyd Schadeverzekering borrowed EUR 130.0 million from Delta Lloyd N.V. at a coupon of 5.6% (fixed-to-floating rate). As a result of the merger during 2017 (see section 1.2 ‘NN Group and Delta Lloyd Schadeverzekering at a glance’) the loan is now owned by NN Group at December 2017. The subordinated and perpetual loan may only be redeemed at the option of Delta Lloyd Schadeverzekering (first call date on 27 June 2024).

In the event of bankruptcy, subordinated debt ranks lower than other liabilities but higher than shareholders.

Eligible Own Funds

Delta Lloyd Schadeverzekering own funds are classified into three tiers as follows:

- The excess of assets over liabilities on the basis of consolidated accounts excluding net Deferred Tax Asset is classified as Tier 1
- The Net Deferred Tax Asset (Deferred tax assets and liabilities are offset only where such assets and liabilities relate to taxes levied by the same tax authority on the same taxable undertaking) is classified as Tier 3
- Perpetual subordinated debt is classified as Tier 1 based on the transitional provisions (grandfathering) and as confirmed by DNB
- Dated subordinated debt is classified as Tier 2 including those based on the transitional provisions (grandfathering) and as confirmed by DNB

There are a number of regulatory restrictions on the amounts classified as Restricted Tier 1, Tier 2 and Tier 3 capital. The following restrictions have to be taken into account:

- Restricted Tier 1 capital cannot exceed 20% of the total Tier 1 amount
- Tier 2 and Tier 3 capital together cannot exceed 50% of the Solvency Capital Requirements
- Tier 3 capital cannot exceed 15% of the Solvency Capital Requirements

The application of the regulatory restrictions as at 31 December 2017 is reflected in the table below. On 31 December 2017 the Delta Lloyd Schadeverzekering SCR is EUR 319 million and Eligible Own Funds were EUR 421 million.

Eligible own funds

In thousands of euros	Available Own Funds	Eligible restriction	Non-eligible Own Funds	Eligible Own Funds
Tier 1	**412,055**		**71,973**	**340,082**
Of which				
- Unrestricted Tier 1	272,066		-	272,066
- Restricted Tier 1	139,989	Less than 20% Tier 1	71,973	68,016
Tier 2 + Tier 3	9,149	Less than 50% Solvency Capital Requirements	-71,973	81,122
Tier 2	-		-71,973	71,973
Tier 3	9,149	Less than 15% Solvency Capital Requirements	-	9,149
Total Own Funds	**421,204**			**421,204**

Credit ratings

On 2 January 2018 S&P Global Ratings raised the long-term issuer credit and insurer financial strength ratings on Delta Lloyd Schadeverzekering to 'A' from 'A-'. The outlook is stable.

2.7.3 Details of income

Premiums relating to insurance contracts

General insurance premiums written reflect new and renewed business during the year, and exclude any sales-based taxes. A limited part of the general insurance portfolio (mainly pools, exchange and inward reinsurance) is reported one quarter later. Unearned premiums are premiums written in a year that are related to periods of risk after the reporting period. Unearned premiums are calculated daily, monthly or quarterly on a pro rata basis.

Net investment income

Investment income consists of cash and stock dividends and interest income receivable for the year, fair value changes in investments through profit or loss, impairment charges on available-for-sale investments, impairment charges on loans and receivables at amortised cost and book gains and losses on the sale of investments. Dividends on investments in equity securities are recorded as revenue on the ex-dividend date. Interest income is recognised as it accrues, taking into account the effective interest rate of the investment. This includes interest income as a result of interest rate differentials on forward foreign exchange contracts.

The realised gain or loss on the disposal of an investment is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost as appropriate. Unrealised gains and losses represent the difference between the carrying value at year-end and the carrying value at the previous year-end or the purchase price during the year, less the reversal of previously recognised unrealised gains and losses on disposals made during the year.

Fee and commission income

Fee and commission income consists primarily of reinsurance commission and intermediary fees. These fees are recognised in the period when the services they relate to are provided. Reinsurance commission receivable and other commission income are recognised on the trade date.

Details of income

In thousands of euros	2017	2016
Net premiums earned		
Gross written premiums	1,099,664	1,192,594
Premiums ceded to reinsurers	-83,516	-66,067
Net written premiums	1,016,148	1,126,527
Gross movement in provision for unearned premiums	11,030	-28,028
Reinsurers' share of movement in provision for unearned premiums	2,128	-1,209
Net movement in provision for unearned premiums	13,158	-29,237
Total net premiums earned	1,029,306	1,097,290
Net investment income		
Interest income	30,192	30,850
Dividends	1,367	3,185
Movements in the fair value of investments classified as other than trading	-231	26,513
Realised gains and losses on investments classified as available for sale	15,481	57,431
Impairment of investments classified as available for sale	-122	-48
Reversal of impairments on investments available for sale	157	255
Result from loans and receivables	-64	-74
Result from derivatives	1,406	-3,491
Other investment income	-	135
Total net investment income	48,186	114,757
Fee and commission income		
Fee income	279	778
Income from reinsurance premiums	11,302	8,919
Commission income	8	16
Total fee and commission income	11,589	9,713
Other income	563	94
Total income	**1,089,643**	**1,221,854**

Movements in the fair value of investments classified as other than trading included EUR 3.5 million (2016: EUR 11.8 million) of realised fair value changes for debt securities and EUR -2.5 million (2016: EUR 6.3 million) of unrealised fair value changes for debt securities.

Realised gains and losses on investments classified as available for sale included EUR 0.5 million (2016: EUR 11.3 million) for debt securities, EUR 15.0 million (2016: EUR 0.7 million) for equity securities and nil (2016: EUR 45.4 million) for equity securities investment funds.

Total results from derivatives included EUR -1.1 million of realised fair value changes (2016: EUR -4.8 million) and EUR 2.6 million of unrealised fair value changes (2016: EUR 1.3 million).

Interest income in the financial year

In thousands of euros	2017	2016
Debt securities available for sale	8,588	8,989
Debt securities other than trading (FVTPL)	8,505	9,040
Total debt securities	17,093	18,029
Mortgages	2,642	2,545
Issued loans	9,936	9,944
Cash and cash equivalents	80	98
Other	441	234
Other interest income	10,457	10,276
Total interest income	**30,192**	**30,850**

2.7.4 Details of expenses

Expenses are recognised in the period in which the services or goods were provided and to which the payment relates.

Claims and benefits

General insurance claims incurred include all losses occurring during the year, whether reported or not, related handling costs for claims, reduced for the value of salvage and subrogation, and adjustments to claims outstanding from previous years. Claims-handling expenses relate to internal costs incurred in connection with the settlement of claims. Internal claims-handling expenses include the direct expenses of the claims department and allocated general expenses.

Fee and commission expenses

Other fee expenses represent any uncapitalised commission expenses paid during the reporting period to agents, advisors, brokers and dealers (e.g. renewal commission).

Details of expenses in the financial year

In thousands of euros	2017	2016
Claims and benefits paid	783,072	827,166
Claim recoveries from reinsurers	-21,405	-38,114
Net claims and benefits paid	761,667	789,052
Change in insurance liabilities	4,521	25,263
Change in reinsurance assets for insurance provisions	56	11,253
Total change in insurance liabilities, net of reinsurance	4,577	36,516
Expenses relating to the acquisition of insurance contracts	210,366	230,408
Interest on subordinated debts	7,329	7,401
Interest on other financial liabilities	2,003	3,921
Total finance costs	9,332	11,322
Staff costs and other employee-related expenditures	95,589	114,314
Change restructuring provision	1,591	-
Operating expenses	44,168	57,029
Impairments of receivables	3,333	13,411
Reversal of impairment on receivables	-1,865	-4,101
Allocated to expenses relating to the acquisition of insurance contracts and claims and benefits paid (claims-handling expenses)	-84,272	-92,469
Total other operating expenses	58,543	88,184
Total expenses	**1,103,955**	**1,155,482**

Staff costs decreased due to the acquisition of Delta Lloyd by NN Group N.V. Internal staff costs decreased because of a reduction of internal staff, which is partly mitigated by increased external staff expenses to fill the gaps. A restructuring provision has been accounted for.

Operating lease charges (included in operating expenses) were EUR 1.3 million (2016: EUR 1.5 million). No contingent rents or sublease payments are included in this amount.

The amortisation of DAC is included in the Expenses relating to the acquisition of insurance contracts.

2.7.5 Employee information

Staff costs are recognised for the period in which the employees provide the services that relate to the payments. The accounting policy for pensions and for share-based payments (profit sharing and incentive plans) is incorporated further on in this note.

General

All Delta Lloyd Schadeverzekering staff are employed by Delta Lloyd Services. Delta Lloyd Services allocates employee-related expenditures according to a service level agreement to Delta Lloyd Schadeverzekering according to a calculation formula based on the number of FTE. All direct staff costs are charged monthly, based on the actual figures. All provisions may be settled on the basis of subsequent costing. The provisions for employee benefits (such as leave) are recognised on the statement of financial position of Delta Lloyd Services.

Delta Lloyd Schadeverzekering recognises expenses equal to its contribution due for the period in its financial statements.

The entitlement to annual leave and long-term leave are recognised when it accrues to employees. A provision is made for the estimated liability for annual leave and long-service bonuses accumulated up to the reporting date.

Defined contribution plan

As of 1 January 2017 Delta Lloyd Schadeverzekering participates in a defined contribution plan in which the risks are shared between various entities under common control of NN Group. The assets of this plan are held in the independently administered Delta Lloyd Pensioenfonds. Contributions are recharged by Delta Lloyd Services B.V. based on the staff working for Delta Lloyd Schadeverzekering. Delta Lloyd Schadeverzekering has no further payment obligations once the contributions have been paid. The contributions are recognised as staff expenses in the profit and loss account when they are due.

Average number of employees (FTE) during the year

Number in FTEs	2017	2016
Permanent staff	891	956
Temporary staff	176	117
Total	**1,067**	**1,073**

Staff costs in the financial year

In thousands of euros	2017	2016
Salaries	47,050	53,438
External staff	14,214	9,094
Social security contributions	7,430	8,614
Pension expenses	10,923	23,009
Profit sharing and incentive plans	788	298
Termination benefits	5,171	10,161
Other staff costs	10,013	9,700
Total	**95,589**	**114,314**

Pension expenses in 2017 are EUR 11.0 million lower than in 2016. In 2017 the pension plan changed from a defined benefit plan in a defined contribution plan. Pension expenses is now calculated as a percentage of the pension bases. Additionally in 2016 there was a one-off payment of EUR 6.6 million to compensate the change from a defined benefit plan in a defined contribution plan.

Other staff costs include EUR 7.2 million in travel expenses, holiday allowances and training costs (2016: EUR 5.9 million).

Staff costs charged to:

In thousands of euros	2017	2016
Expenses relating to the acquisition of insurance	35,368	39,937
Claims and benefits paid (claim handling expenses)	21,030	25,625
Other operating expenses	39,191	48,753
Total	**95,589**	**114,314**

Share-based and performance-related incentive plans
Delta Lloyd Schadeverzekering has two equity-settled share-based and performance related incentive plans. (Variable Incentive Plan for identified staff and Variable Incentive Plan for other managers). In the first quarter of 2017 an expense of EUR 32 thousand was granted under the plan.

Due to the acquisition of Delta Lloyd by NN Group N.V. (see section 1.2 'NN Group and Delta Lloyd Schadeverzekering at a glance') both plans ended at 31 March 2017. The remainder of the plans amount and the vesting of the remaining grants is subject to set performance criteria and continued employment at Delta Lloyd on the vesting date. If employment is terminated, the grants lapse immediately, except in a situation where the employee leaves as a result of early retirement, disability, death or because the entity for which the employee works is no longer part of Delta Lloyd. In this last case, the grants vest immediately and become exercisable for a period of one year, after which they lapse.

There is an ex-post risk adjustment for each deferred payout when the performance is reassessed against the original targets. There is also a clawback clause under which any variable remuneration may be recovered during a five-year period after the vesting date, if an employee has acted unethically and/or in conflict with Delta Lloyd's and NN policy.

2.7.6 Remuneration of the Management Board and the Supervisory Board

Remuneration of the Management Board

In thousands of euros	2017	2016
Salary	914	1,160
Variable remuneration	199	49
Pension rights	187	246
Total	**1,300**	**1,455**

During 2017 members of the Management Board resigned and new members were appointed due to the integration with NN Group, see section 1.1 'Composition of the Boards'. As at 1 July 2017, the composition of the Management Boards of Delta Lloyd Schadeverzekering and NN Schade are aligned. The Management Board members hold remunerated positions within the new aligned Management Board. The related remunerations are allocated within NN Non-life expenses. The remuneration in the table above relates to Delta Lloyd Schadeverzekering for the period before and after the combined Management Board was installed.

Remuneration of the members of the Management Board of Delta Lloyd Schadeverzekering is recognised in the profit and loss account in 'Staff costs' as part of 'Details of expenses'.

The total remuneration as disclosed in the table above (for 2017: EUR 1.3 million) includes all variable remuneration related to the performance year 2017. Under IFRS-EU, certain components of variable remuneration are not recognised in the profit and loss account directly, but are allocated over the vesting period of the award. For the new appointed members of the Management Board the variable remuneration is split over upfront cash, upfront shares, deferred cash and deferred shares for each 25%.

Remuneration policy

As an indirect subsidiary of NN Group, Delta Lloyd Schadeverzekering is in scope of the NN Group Remuneration Framework. NN Group is well aware of the public debate about pay in the financial industry and the responsibility the industry is taking in that light. The remuneration policies of NN Group take into account all applicable regulations and codes, including the Code of Conduct for Insurers. The NN Group Remuneration Framework strikes a balance between interests of its customers, employees, shareholder and society at large, and supports the long-term objective of the company.

The variable remuneration is linked to clear targets. These targets are for a large part non-financial.

The general principles underpinning the NN Group Remuneration Framework are (amongst others) as follows:

- Enhance focus on the long term interest of NN Group and the interests of customers
- Align with company values, business strategy and risk appetite
- Promote and align with robust and effective risk management
- Comply with and support the spirit of the (inter)national regulations on remuneration policies
- Aim to avoid improper treatment of customers and employees
- Create a balanced compensation mix with a reduced emphasis on variable compensation
- Claw back and hold back arrangements
- Attract and retain talented personnel

Mortgages and loans

The members of the Management Board of Delta Lloyd are employed by NN Insurance Personeel B.V. as per 31 December 2017. Delta Lloyd Schadeverzekering has granted mortgages as per 31 December 2017 to members of the Management Board. The amount outstanding at 31 December 2017 was EUR 0.9 million (2016: EUR 1.8 million) at an average interest rate of 2.9% (2016: 3.0%).

Remuneration of the Supervisory Board

The Delta Lloyd Schadeverzekering Supervisory Board members do not receive compensation for their activities. The Supervisory Board members hold remunerated (board) positions within NN Group but not within Delta Lloyd Schadeverzekering. They do not receive any (additional) allowances for their role as Supervisory Board members.

2.7.7 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of Delta Lloyd Schadeverzekering's share of net assets, including the (contingent) liabilities, of the acquired subsidiary on the date of acquisition. The carrying amount of goodwill for each cash generating unit, or combination of cash generating units, is reviewed annually, or more frequently when circumstances or events indicate a possible impairment. Goodwill is impaired to the recoverable amount if the recoverable amount is lower than the carrying value. The impairment is charged as an expense to the income statement (other operating expenses).

The recoverable amount relating to general insurance and other operating activities is defined as the higher of the VIU and fair value less costs to sell. The discounted cash flow method is used to establish the VIU and fair value less costs to sell. This uses net-of-tax forecasts of cash inflows and cash outflows incurred to generate the cash inflows. Factors at the basis of the expected future cash flows include historical growth, agreed business plans for the activities, expected working and fixed capital requirements and historical and expected levels of operating profits. In addition, the asset's ability to generate cash flows beyond the explicit forecast period is included by establishing a terminal value. The future cash flows and the terminal value are then discounted using a risk-adjusted discount rate (often the weighted average cost of capital or the cost of equity), which accurately reflects the inherent risk of the asset. To avoid double counting, risks that have already been taken into account in determining the cash flows are not included in the discount rate.

The key assumptions used to calculate the recoverable amount of goodwill are:

- Expected cash flows for future periods based on plan figures for a period of three years, similar to the plan period of the cash-generating entity;
- For the years after management's plan period, cash flows are extrapolated using an average growth of 1.27% - 1.51% (2016: between 1.27% - 1.51%) depending on the specific circumstances of the activities; and
- Depending on the activities being valued, the risk adjusted discount rate is 7.7% to 10.0% (2016: 7.7% - 10.0%).

The expected cash flows for future periods are based on the figures for the 2018-2020 plan period. The expected cash flows beyond the plan period are extrapolated based on a growth rate that takes into account analysts’ estimates of the increase in gross national product and inflation.

Statement of changes in carrying value of goodwill

In thousands of euros	2017	2016
Gross carrying value of goodwill		
At 1 January	5,583	5,583
At 31 December	5,583	5,583
Accumulated impairments		
At 1 January	-2,536	-2,536
At 31 December	-2,536	-2,536
Net carrying value of goodwill at 31 December	**3,047**	**3,047**

For the purposes of the impairment test, assets are grouped at the lowest level for which there are separately identifiable cash flows. The test uses the most recent data available. The expected future cash flows are sufficient to support the carrying value. In 2017 and 2016 there were no circumstances or events that indicate possible impairment.

2.7.8 Deferred acquisition costs

Acquisition costs comprise fixed and variable costs arising from writing insurance contracts. Acquisition costs are amortised over the term in which premiums are earned. Deferred acquisition costs are reviewed at the end of each reporting period. They are impaired if they are no longer considered recoverable under the liability adequacy test for insurance contracts.

Statement of changes in deferred acquisition costs

In thousands of euros	2017	2016
At 1 January	44,195	38,301
Addition deferred acquisition costs	173,863	201,326
Amortisation	-181,076	-195,432
At 31 December	**36,982**	**44,195**

2.7.9 Debt and equity securities

Investments classified as ‘held for trading’, ‘other than trading’ and ‘available for sale’ are measured at fair value. The fair value of investments is measured using the fair value hierarchy as described in section 2.7.25 ‘Fair value of assets and liabilities’. Changes in the fair value of investments ‘held for trading’ and ‘other than trading’ are accounted for in the income statement in the period in which the value change occurs. Changes in the fair value of investments classified as available for sale, other than impairment losses and relevant foreign exchange gains and losses, are recorded in a specific investment revaluation reserve within equity. When investments classified as available for sale are sold or impaired, the accumulated fair value adjustments are transferred out of the revaluation reserve to the income statement.

Purchases and sales of investments are recognised at fair value when the trade occurs; i.e. the date that Delta Lloyd Schadeverzekering commits to purchase or sell the assets. Transaction costs directly attributable to the initial acquisition of investments are recognised as follows:

- Transaction costs for investments designated at fair value through profit or loss are included in the income statement; and
- Transaction costs for investments designated as available for sale are included in the initial measurement. Transaction costs for debenture loans are recognised as part of amortisation in the income statement using the effective interest rate method. Transaction costs for equity instruments are recognised in the income statement on sale.

The interest amount recognised in the income statement for debenture loans and other fixed-income investments at fair value, including transaction costs, is set annually based on amortised cost. The difference between the initial value and future repayment is recognised through profit or loss as amortisation, using the effective interest rate method. The initial amortised cost is calculated as the fair value including transaction costs.

Delta Lloyd Schadeverzekering assesses on each reporting date whether objective evidence exists that a financial asset available for sale is impaired. In the case of equity instruments classified as ‘available for sale’, this means a significant or prolonged decline in the fair value of the security below its cost. Significant is defined on a case by case basis for specific investments. Generally significant is defined as 20% below costs or a prolonged period of 6 months.

If the impairment proves to be structural, Delta Lloyd Schadeverzekering may decide to recognise it despite the period being less than six months. Impairment losses on equity securities cannot subsequently be reversed through the income statement. If a financial asset has been impaired, any future reductions in value, irrespective of the amount, are recognised through the income statement.

Debt securities available for sale are impaired if there is objective evidence that they are unlikely to be redeemed or if it is known that the issuer is in financial difficulty. If such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and current fair value (excluding previously recognised impairment losses) is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as 'available for sale' increases and the increase can be related to an objective event occurring after the recognition of the impairment loss, the impairment is reversed through the income statement.

Financial assets carried at fair value through profit or loss are not subject to impairment testing. The fair value of these assets already reflects possible impairments.

Debt and equity securities at year-end

In thousands of euros	2017	2016
Debt securities	1,597,405	1,585,313
Equity securities	149,719	162,219
Total	**1,747,124**	**1,747,532**

Fair value of debt and equity securities for own risk by category at year-end

In thousands of euros	Debt securities	Equity securities	Total
Recognised at fair value through profit or loss other than trading	732,207	90,203	822,410
Available for sale	865,198	59,516	924,714
Total	**1,597,405**	**149,719**	**1,747,124**

Fair value of debt and equity securities for own risk by category at prior year-end

In thousands of euros	Debt securities	Equity securities	Total
Recognised at fair value through profit or loss other than trading	725,939	92,275	818,214
Available for sale	859,374	69,944	929,318
Total	**1,585,313**	**162,219**	**1,747,532**

Accumulated impairment of debt securities available for sale

In thousands of euros	2017	2016
At 1 January	1,299	1,506
Impairments	122	48
Reversal of impairments	-157	-255
At 31 December	**1,264**	**1,299**

Accumulated impairment of equity securities available for sale

In thousands of euros	2017	2016
At 1 January	2,825	16,673
Disposals	-2,649	-13,847
At 31 December	**176**	**2,825**

Repurchase agreement

Delta Lloyd Schadeverzekering had no repurchase agreements on debt securities on 31 December 2017 (2016: nil).

Investments in unconsolidated structured entities

Delta Lloyd Schadeverzekering's investments in unconsolidated structured entities such as RMBSs, ABSs and CDO/CLOs are presented in the line item 'Debt securities' of the statement of financial position. Delta Lloyd Schadeverzekering did not recognise other interests in unconsolidated structured entities such as commitments, guarantees, provisions, derivative instruments or other liabilities.

Delta Lloyd Schadeverzekering did not provide financial or other support to unconsolidated structured entities nor does it intend to provide financial or other support to unconsolidated structured entities in which it has an interest or previously had an interest.

The composition of the structured entities portfolios of Delta Lloyd Schadeverzekering is widely dispersed looking at the individual amount per entity. This is shown in the following table together with the number of individual entities.

Overview of own risk investments in unconsolidated structured entities at year-end

In thousands of euros	Number of entities 2017	Carrying amount 2017	Number of entities 2016	Carrying amount 2016
EUR 0-10 million	21	46,841	25	69,195
EUR > 10 million	0	-	1	10,064
Total	**21**	**46,841**	**26**	**79,259**

The table below presents the carrying amount of the investments in unconsolidated structured entities in the reporting period, as well as the total income and losses recognised in this period.

Investments in structured entities type - carrying amount, income and losses at year-end

In thousands of euros	Total carrying amount debt securities	Interest income	Realised / Unrealised gains and losses	Total income	Losses recognised in profit/loss
Mortgage-backed securitisations (RMBS)	46,678	199	-6,896	-6,698	1,528
CDOs and CLOs	163	-	-8	-8	-1,144
Total	**46,841**	**199**	**-6,905**	**-6,706**	**384**

Investments in structured entities type - carrying amount, income and losses at prior year-end

In thousands of euros	Total carrying amount debt securities	Interest income	Realised / Unrealised gains and losses	Total income	Losses recognised in profit/loss
Mortgage-backed securitisations (RMBS)	78,593	587	225	812	-2,000
Asset-backed securities (ABS)	667	1,363	-9	1,354	-1,305
Total	**79,259**	**1,950**	**216**	**2,166**	**-3,305**

For the most significant structured entities (> EUR 10 million), the maximum exposure to loss for Delta Lloyd Schadeverzekering by type of structured security is presented. The table presents a comparison of Delta Lloyd Schadeverzekering's interest with the total assets of those unconsolidated structured entities. Delta Lloyd Schadeverzekering had no structured entities above EUR 10 million on 31 December 2017.

Maximum exposure to loss by type of structured security and by seniority of interest for significant structured entities at prior year-end

In thousands of euros				Note structure of structured entity			
Security name	Type	Subordinated interest	Mezzanine interest	Senior Interest	Most Senior Interest	Total	Delta Lloyd Schade-verzekering's exposure to loss*
LUSI FRN 2 A	RMBS	9,000	80,000	156,202	-	245,202	10,064
Total		**9,000**	**80,000**	**156,202**	**-**	**245,202**	**10,064**

* Only senior interest

For equity and debt securities, loans and receivables, the maximum exposure to loss is the current carrying value of these interests. The maximum exposure to loss does not take into account the effects of any hedging activities of Delta Lloyd Schadeverzekering designed to reduce that exposure to loss.

Delta Lloyd Schadeverzekering's significant investments in structured entities can be classified as senior interests.

The maximum exposure to loss of the significant investments in structured entities is not reduced by any collateral.

2.7.10 Derivatives

Delta Lloyd Schadeverzekering uses derivatives as part of its asset and liability management to hedge financial risks (e.g interest, currency and equity) in financial assets and liabilities arising from market movements. Derivative financial instruments include foreign exchange contracts, interest rate futures, currency and other financial instruments that derive their value mainly from underlying interest rates and foreign exchange rates, commodity values or equity instruments. All derivatives are initially recognised in the statement of financial position at fair value, which usually represents their cost. They are subsequently measured at their fair value through profit or loss. The fair value is measured using the fair value hierarchy as described in section 2.7.25 'Fair value of assets and liabilities'. Derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative. The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities on the statement of financial position as they do not represent the potential gain or loss associated with such transactions.

Derivative contracts may be traded on an exchange or over-the-counter (OTC). Exchange-traded derivatives are standardised and include certain future contracts. OTC derivative contracts are individually negotiated between contracting parties and include forwards, swaps and caps.

Delta Lloyd Schadeverzekering does not apply hedge accounting under IAS 39.

Derivatives at year-end

In thousands of euros	Contract / notional amount 2017	Fair value asset 2017	Fair value liability 2017	Contract / notional amount 2016	Fair value asset 2016	Fair value liability 2016
OTC foreign exchange forwards	17,041	215	20	28,863	28	487
Interest rate contracts						
OTC						
Interest rate and currency swaps not held for fair value hedge accounting	330,000	192	21	340,000	384	104
Exchange traded						
Futures	126,139	-	-	106,629	-	-
Total interest rate contracts	456,139	192	21	446,629	384	104
Equity/index contracts						
OTC						
Swaps	205,000	-	1,776	205,000	-	3,664
Total equity/index contracts	205,000	-	1,776	205,000	-	3,664
Total	**678,179**	**407**	**1,817**	**680,492**	**413**	**4,254**

2.7.11 Loans and receivables

Loans and receivables with fixed maturities, including issued loans and mortgage loans, are recognised on the statement of financial position when cash is advanced to borrowers. Measurement of these loans and receivables, is based on amortised cost, using the effective interest rate method and taking impairments into account where necessary. To the extent that loans and receivables are not collectible, they are written off as impaired. Any subsequent recoveries are credited to the income statement.

A financial asset or a group of financial assets carried at amortised cost is considered to be impaired when there is objective evidence of impairment due to events occurring after the date of the initial recognition (i.e. a ‘loss event’), and when that event has an impact on estimated future cash flows. Objective evidence that a financial asset or a group of assets is impaired includes observable data about the following loss events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract, such as a default or repeated delinquency in payment of interest or principal;
- The lender entering bankruptcy or a financial reorganisation;
- The disappearance of an active market for that specific asset because of financial difficulties; and
- Observable data indicating a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified based on the individual financial assets in Delta Lloyd Schadeverzekering, including adverse changes in the payment status of borrowers of Delta Lloyd Schadeverzekering and national or economic conditions that correlate with defaults on Delta Lloyd Schadeverzekering’s assets.

Delta Lloyd Schadeverzekering first assesses whether objective evidence of impairments exists for financial assets that are individually significant. If there is no objective evidence of impairment for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has occurred on loans and receivables carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate. Future credit losses that have been incurred are not taken into account. The impairment is recognised in the income statement. If a financial investment has a variable interest rate, the discount rate for measuring the impairment loss is the current effective interest rate determined in the contract. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related to an event occurring after the impairment was recognised, the previously recognised impairment is reversed and accounted for in the income statement.

Loans and receivables at amortised cost for own risk at year-end

In thousands of euros	2017	2016
Loans and advances	100,000	100,000
Mortgages	107,582	112,341
Total loans and receivables	**207,582**	**212,341**
Terms of loans and receivables		
Less than one year	77	3
More than one year	207,505	212,338
Total	**207,582**	**212,341**

The table below shows the loan-to-market value (LTMV) of the mortgages. The LTMV is the residual amount compared with the sale value in a private sale with vacant possession. The NHG mortgage portfolio is secured on annuity basis.

Loan to market value at year-end

	2017	2016
NHG < 100%	5%	5%
NHG > 100%	1%	1%
< 70%	55%	46%
70% - 90%	28%	31%
90% - 100%	5%	9%
100% - 110%	3%	2%
110% - 120%	3%	4%
> 120%	0%	2%
Total	**100%**	**100%**

All mortgages relate to residential properties. Of the mortgages issued in 2017, 89% (2016: 82%) have a loan-to-value ratio less than 90%. Dutch mortgages guaranteed through the government’s national mortgage guarantee scheme (‘NHG’) scheme account for 6% (2016: 6%) of the portfolio granted in 2017. No new mortgages were issued with a loan-to-value ratio exceeding 101% without additional collateral being pledged by the applicant. No derivative instruments were contracted to mitigate any credit risk related to mortgage loans. Delta Lloyd Schadeverzekering does not believe hedging is required, given the relatively small credit risk exposure.

No impairments were recognised on loans and receivables.

2.7.12 Receivables and other financial assets

Receivables and other financial assets at year-end

In thousands of euros	2017	2016
Receivables from policyholders	56,384	59,812
Receivables from intermediaries	104,830	184,380
Deposits with ceding undertakings	14,347	9,837
Receivables on intercompanies	41,640	9,552
Other receivables	33,702	49,338
Total	**250,903**	**312,920**

Concentrations of credit risk regarding receivables are limited due to the size and nature of Delta Lloyd Schadeverzekering's operations.

See section 2.7.1 ‘Risk management’ for an analysis of receivables and other financial assets adjusted for impairments and an analysis of payment arrears with regard to receivables and other financial assets.

Other receivables include receivables from reinsurance companies and short-term receivables.

As previous year, receivables and other financial assets are expected to be settled within one year.

2.7.13 Share capital

The company’s share capital is as follows:

Share capital at year-end

In thousands of euros	**2017**	**2016**
500,000 ordinary shares with a nominal value of EUR 453.78 each	226,890	226,890
Total authorised share capital	226,890	226,890
100,000 ordinary shares with a nominal value of EUR 453.78 each	45,378	45,378
Total issued share capital	45,378	45,378

All issued ordinary shares rank equally. All issued ordinary shares have the same rights to dividends and other distributions declared, made or paid by the company.

The shares in issue were fully paid-up, and each share gives the bearer the right to cast one vote.

Proposed dividend

The directors of Delta Lloyd Schadeverzekering propose on the basis of the net operational result of 2017, Solvency ratio and taking into account the statutory limitation on equity, to distribute a dividend of EUR 20 million. The company has distributed an interim dividend of EUR 20 million in 2017. The dividend is paid out of share premium. As a result the proposed final dividend will be nil.

Proposed appropriation of result

The result is appropriated pursuant to article 24 of the articles of association of Delta Lloyd Schadeverzekering, the relevant provisions of which state that the appropriation of result shall be determined by the General Meeting. It is proposed to charge the loss for the year to the other reserves.

The appropriation of results will be:

Dividends and appropriation of result

In thousands of euros	2017	2016
Addition / withdrawal (-) other reserves	-25,534	-37,056
Dividends on ordinary shares	20,000	50,000
Total	**-5,534**	**12,944**

2.7.14 Revaluation reserves

The revaluation reserve only comprises the revaluation of available-for-sale investments including value changes taken to equity less deferred tax liabilities.

Statement of changes in revaluation reserves

In thousands of euros	2017	2016
At 1 January	42,066	87,330
Gross fair value gains and losses arising in period	7,310	197
Impairment losses transferred to income statement	122	48
Reversal of impairment losses transferred to income statement	-157	-255
Realised gains/losses on revaluations of financial instruments available for sale transferred to income statement	-15,481	-57,431
Aggregate tax effect	-2,230	12,178
At 31 December	**31,630**	**42,066**

2.7.15 Insurance liabilities

In accordance with IFRS 4 ‘Insurance contracts’ all insurance contract liabilities are recognised on the basis of local pre-IFRS accounting policies with certain adjustments allowed under IFRS. As from 2016, Delta Lloyd Schadeverzekering uses a curve which is based on the Solvency II curve including a volatility adjustment (VA), Credit Risk Adjustment (CRA) and an UFR as the estimate for a current market interest rate curve under IFRS. Our basis curve is the EUR swap curve. Interpolation is applicable for maturities for which no interest rate is provided up to the last liquid point (LLP). See also section 2.6.2 'Use of assumptions and estimates'. The majority of the general insurance provisions are valued on an undiscounted basis. The provision for disability is valued on a discounted basis based on the above mentioned Solvency II discount curve.

Each reporting period Delta Lloyd Schadeverzekering assesses whether the applied curve is representative as a current market interest rate curve for the valuation of insurance liabilities. Delta Lloyd Schadeverzekering also assesses each reporting period whether the long end of the curve can be derived from sufficient relevant observable market inputs. If no sufficient relevant observable market inputs are available, Delta Lloyd Schadeverzekering will continue to estimate current market interest rate using the described extrapolation approach while reassessing the parameters used. Based on this assessment, Delta Lloyd Schadeverzekering considers the Solvency II discount curve including extrapolation to an UFR of 4.2% a sufficient representation of current market interest rate at year-end 2017, taken into account the specific duration characteristics of the insurance liabilities of Delta Lloyd Schadeverzekering (e.g. duration). As of January 1st, 2018, the UFR decreased to 4.05%.

Delta Lloyd Schadeverzekering applies a method and assumption setting cycle (MASC). In this cycle, all methods and assumptions used to determine provisions and the liability adequacy tests are adjusted and validated.

Claims provisions for insurance are based on the estimated ultimate cost (including claims-handling expenses) of all claims incurred but not settled at the reporting date, whether reported or not. The outstanding claims provisions are continually refined as part of a regular ongoing process as claims experience develops, losses are settled and further losses reported. Movements in provisions are taken to the income statement. The provision required for benefit payments for individual occupational disability class B (post first-year risk) and WIA/WAO was established using best estimate principles. The benefit provision is the discounted value of expected future cash flows including recovery and mortality probabilities. Outstanding claims provisions include a margin for prudence. According to Delta Lloyd Schadeverzekering guidelines, each margin for prudence must ensure that the level of adequacy for the majority of the general insurance business provisions (except disability contracts) is within a set range.

The proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods, is deferred in a provision for unearned premiums. Changes in this provision are taken to the income statement during the risk period in question to ensure the premium reflects the insured risk throughout the policy period. An additional premium reserve, the unexpired risk reserve, is formed for contracts with a lower premium compared to the actuarial required premium, if no compensation is available in premium surplus within other products for segments property and casualty, and disability respectively.

Assumptions for the provision for future ascending risks include the WVV (Wiskundig Vastgestelde Voorziening), an insurance liability that will be formed for disability contacts. The premium of these insurances is based on a flat premium. This special premium reserve consists of the surplus (in the first years of the contract) on paid premium compared to actual risk premium. This surplus is reserved for future years when there is a shortage. A best estimate is calculated by calculating the actuarial provision for each policy based on the best estimate principles for occupational disability and rehabilitation for claims payments. If the actuarial provision calculated for a portfolio is negative, it is set at nil. The premiums used are those paid by the customers.

The liability adequacy test for the total provisions tests whether the total provision recognised in the statement of financial position is bigger than the best estimate of the provision, including a risk margin based on a 4% (2016: 4%) cost of capital. If positive, the difference between these two amounts is called the prudence margin in the total provision. The ultimate level of outstanding claims provision is estimated by using a range of standard actuarial claims projection techniques. The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence the ultimate cost of claims.

Premium provisions are tested against a best estimate based on the expected combined operating ratio.

For property and casualty products and accident and absenteeism, the claims provision is tested against a lower and upper boundary. Any deficit with respect to the lower boundary or any margin against the upper boundary is taken to the income statement. For disability products the adequacy is tested against a lower boundary based on a 4% (2016: 4%) cost of capital.

Insurance liability at year-end

In thousands of euros	2017	2016
Provision for outstanding claims	1,155,119	1,168,872
Provision for market valued interest rate adjustments	121,647	119,921
Provision for claims-handling expenses	59,201	56,225
Provision for claims incurred but not reported	355,671	340,183
Provision for unearned premiums	199,727	210,757
At 31 December	**1,891,364**	**1,895,957**

Statement of changes in provisions

In thousands of euros	2017	2016
At 1 January	1,895,957	1,839,152
Premiums written during the year	1,099,664	1,192,594
Premiums earned during the year	-1,110,694	-1,164,566
Movement in premium provision recognised as income	-11,030	28,028
Effect of changes in operational assumptions	-6,485	-8,428
Effect of changes in economic assumptions	-3,950	17,447
Claim losses and expenses incurred in the current year	767,684	836,320
Movement in anticipated claim losses and expenses incurred in prior years	30,344	7,090
Incurred claims losses and expenses	787,593	852,430
Payments made on claims incurred in the current year	-326,953	-374,895
Payments made on claims incurred in prior years	-466,279	-464,177
Recoveries on claims payments	10,160	11,906
Claims payments made in the year, net of recoveries	-783,072	-827,166
Movement in claims provision recognised as expense	4,521	25,263
Increase in provision due to passage of time recognised as expense	1,916	3,515
At 31 December	**1,891,364**	**1,895,957**

The effect of changes in operational assumptions is due to MASC impacts, mainly in disability and illness products. The change in economic assumptions relates to movements in the Solvency II discount curve.

Loss development table

The following table presents the development of gross cumulative incurred claims for the accident years 2008 to 2017.

Loss development gross of reinsurance

In millions of euros	All prior years	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Gross cumulative claims payments												
At end of accident year		320.6	334.8	354.8	353.2	359.3	326.5	309.1	317.7	367.2	320.7	
One year later		545.2	553.7	598.5	608.5	617.3	576.0	533.4	540.6	608.3	-	
Two years later		612.9	613.9	671.5	701.1	711.8	670.5	621.8	606.7	-	-	
Three years later		648.8	650.4	707.9	756.5	761.0	716.9	659.0	-	-	-	
Four years later		675.0	678.6	737.1	788.0	793.2	746.0	-	-	-	-	
Five years later		698.7	697.5	755.9	810.7	815.7	-	-	-	-	-	
Six years later		717.1	712.3	767.8	828.6	-	-	-	-	-	-	
Seven years later		729.5	720.9	782.3	-	-	-	-	-	-	-	
Eight years later		734.2	732.1	-	-	-	-	-	-	-	-	
Nine years later		740.8	-	-	-	-	-	-	-	-	-	
Estimate of gross cumulative claims												
At end of accident year		733.3	812.0	822.8	851.1	1,008.7	865.1	758.8	744.1	828.5	770.1	
One year later		767.0	792.7	844.6	964.4	995.2	918.7	804.8	824.9	890.0	-	
Two years later		756.5	784.3	866.4	963.4	968.8	915.9	820.5	847.9	-	-	
Three years later		756.6	779.9	865.6	928.8	943.8	895.5	823.2	-	-	-	
Four years later		780.0	787.2	865.6	920.0	931.9	888.8	-	-	-	-	
Five years later		793.5	793.9	857.0	902.5	919.7	-	-	-	-	-	
Six years later		807.0	783.6	861.4	881.8	-	-	-	-	-	-	
Seven years later		801.7	780.3	858.8	-	-	-	-	-	-	-	
Eight years later		781.8	785.4	-	-	-	-	-	-	-	-	
Nine years later		816.7	-	-	-	-	-	-	-	-	-	
Estimate of cumulative claims		816.7	785.4	858.8	881.8	919.7	888.8	823.2	847.9	890.0	770.1	
Cumulative payments		740.8	732.1	782.3	828.6	815.7	746.0	659.0	606.7	608.3	320.7	
Total	101.6	75.9	53.3	76.4	53.2	104.0	142.8	164.2	241.2	281.6	449.4	1,743.7
Effect of discounting	-4.3	-1.4	-1.9	-1.9	-2.0	-2.8	-4.8	-4.8	-7.8	-8.6	-11.5	-52.0
Current value	97.4	74.5	51.4	74.5	51.2	101.2	138.0	159.4	233.3	273.0	437.9	1,691.6
Unearned premium and unexpired risk reserve												199.7
Value recognised in balance sheet												**1,891.4**

The loss development after reinsurance was:

Loss development net of reinsurance

In millions of euros	All prior years	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Net cumulative claims payments												
At end of accident year		306.2	328.0	350.2	344.0	357.9	322.0	284.5	317.2	364.1	320.5	
One year later		513.7	560.6	582.0	593.6	609.5	560.3	490.0	533.6	594.9	-	
Two years later		592.2	609.2	652.3	683.8	682.6	638.0	568.0	596.5	-	-	
Three years later		626.3	642.7	683.9	731.6	716.5	676.2	605.0	-	-	-	
Four years later		652.1	670.5	712.9	751.5	743.1	705.3	-	-	-	-	
Five years later		675.1	688.9	724.6	770.8	762.7	-	-	-	-	-	
Six years later		692.9	700.3	736.0	788.0	-	-	-	-	-	-	
Seven years later		703.3	708.6	750.0	-	-	-	-	-	-	-	
Eight years later		707.8	719.2	-	-	-	-	-	-	-	-	
Nine years later		714.1	-	-	-	-	-	-	-	-	-	
Estimate of net cumulative claims												
At end of accident year		691.6	755.0	788.1	819.8	979.8	846.7	709.2	723.3	791.3	734.5	
One year later		721.7	775.3	812.9	925.5	962.2	866.0	753.1	799.5	860.0	-	
Two years later		724.8	770.1	830.1	927.4	838.3	848.9	764.1	826.6	-	-	
Three years later		727.5	764.2	828.0	906.5	833.6	832.5	767.2	-	-	-	
Four years later		750.6	771.8	822.3	909.6	820.6	822.7	-	-	-	-	
Five years later		763.3	776.7	816.2	899.8	812.6	-	-	-	-	-	
Six years later		776.2	770.9	815.2	897.9	-	-	-	-	-	-	
Seven years later		775.3	767.6	807.6	-	-	-	-	-	-	-	
Eight years later		755.5	770.2	-	-	-	-	-	-	-	-	
Nine years later		788.2	-	-	-	-	-	-	-	-	-	
Estimate of cumulative claims		788.2	770.2	807.6	897.9	812.6	822.7	767.2	826.6	860.0	734.5	
Cumulative payments		714.1	719.2	750.0	788.0	762.7	705.3	605.0	596.5	594.9	320.5	
Total	95.0	74.0	50.9	57.6	109.9	49.8	117.4	162.2	230.0	265.1	414.0	1,626.0
Effect of discounting	-4.3	-1.4	-1.9	-1.9	-2.0	-2.8	-4.8	-4.8	-7.8	-8.6	-11.5	-52.0
Current value	90.8	72.6	49.0	55.7	107.8	47.0	112.6	157.4	222.2	256.5	402.5	1,574.0
Unearned premium and unexpired risk reserve												196.2
Value recognised in balance sheet												**1,770.2**

2.7.16 Reinsurance assets

Delta Lloyd Schadeverzekering assumes and cedes reinsurance in the normal course of business, with retention limits varying according to the type of insurance contract. Reinsurance assets assumed are recognised in the same way as direct business, reflecting the product classification of the reinsured business. The cost of reinsurance relating to insurance contracts is accounted for over the life of the underlying reinsured policies, based on assumptions consistent with those used to account for the original policies.

Reinsurance assets primarily include amounts receivable from reinsurance companies on ceded reinsurance. It relates primarily to excess of loss. Amounts recoverable from reinsurers are calculated in a manner which is consistent with the insurance provisions or the settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract.

If a reinsurance asset is impaired, Delta Lloyd Schadeverzekering reduces the carrying amount accordingly and recognises that impairment loss in the income statement.

Reinsured share in provisions at year-end

In thousands of euros	2017	2016
Reinsurance assets	121,173	119,100
Total	**121,173**	**119,100**

The net provision is calculated by deducting reinsured business included in provisions from the gross provision.

Gross provisions, reinsurers' share and net provisions at year-end

In thousands of euros	Gross insurance provisions 2017	Reinsurance assets 2017	Net 2017	Gross insurance provisions 2016	Reinsurance assets 2016	Net 2016
Outstanding claims provisions	1,276,765	90,663	1,186,103	1,262,479	82,079	1,180,400
Provision for claims-handling expenses	59,201	-	59,201	62,851	-	62,851
Provision for claims incurred but not reported	355,671	26,984	328,687	359,871	35,624	324,247
Provision for unearned premiums	199,727	3,526	196,201	210,757	1,398	209,359
Total	**1,891,364**	**121,173**	**1,770,192**	**1,895,957**	**119,100**	**1,776,857**

Statement of changes in reinsurance assets

In thousands of euros	2017	2016
At 1 January	119,100	131,563
Reinsurers' share in the year	83,516	66,067
Reinsurers' share of premiums earned during the year	-81,388	-67,276
Movements in provision for unearned premiums	2,128	-1,209
Reinsurers' share of claim losses and expenses incurred in current year	35,574	37,202
Reinsurers' share of claim losses and expenses incurred in prior years	-14,225	-10,340
Reinsurers' share of claim losses and expenses incurred	21,349	26,862
Reinsurance recoveries received on claims incurred in current year	-167	-3,046
Reinsurance recoveries received on claims incurred in prior years	-21,238	-35,069
Reinsurance recoveries received in the year	-21,405	-38,114
Movements in reinsurance assets recognised as expense	-56	-11,253
At 31 December	**121,173**	**119,100**

2.7.17 Effect of changes in assumptions and estimates on provisions for insurance contracts

Determining the technical provision depends on the accounting policies and assumptions used. Changes in assumptions and estimates will directly affect the technical provision and have an indirect impact on the result.

The effect on the result is shown in the table below:

Effect of changes in assumptions and estimates on provisions for insurance contracts

In thousands of euros	Effect on result 2017	Effect on result 2016
Change in discount rate assumptions	3,950	-17,447
Change in expenses ratio assumptions	-2,260	4,871
Change in loss ratio assumptions	8,745	3,557
Total	**10,435**	**-9,019**

Section 2.7.15 ‘Insurance liabilities’ addresses the effect of changes in assumptions on insurance provisions.

The change in discount rate assumptions relates to the movements of the IFRS discount rate curve.

2.7.18 Provisions for other liabilities

Provisions for other liabilities are recognised if Delta Lloyd Schadeverzekering has a present legal or constructive obligation resulting from past events, if it is probable it will require an outflow of resources to settle the obligation and if a reliable estimate of the scope of the obligation can be made. If it is virtually certain that a provision will be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset.

The restructuring provisions include redundancy payments to employees and the cost of non-cancellable rental commitments. Delta Lloyd Schadeverzekering recognises a provision for onerous contracts when the expected benefits are less than the unavoidable costs of meeting the obligations under the contract.

Provisions are measured as the best estimate of the expenditure required to settle the present obligation on the reporting date. Liabilities that do not meet the criteria for recognition as outlined above are disclosed as contingent liabilities, unless the possibility of an outflow of economic benefit is deemed to be remote.

Provisions at year-end

In thousands of euros	2017	2016
Restructuring provisions	6,075	10,851
Employee equity compensation plan	189	-
Total	**6,264**	**10,851**

The restructuring provision decreased with EUR 4.8 to EUR 6.1 million and is part of the 'Closer to the customer' strategy ('Organisation 2020') program. During 2017 an additional restructuring charge of EUR 1.6 million was more than offset by realisations of EUR 6.4 million.

For further information on employee equity compensation plan see section 2.7.5 'Employee information'.

2.7.19 Income taxes

The tax expense is based on the taxable profits for the year, after any adjustments made for previous years and after any changes in deferred tax assets and liabilities. Tax is allocated to the result before taxation or to the reserves, as appropriate.

Deferred tax assets and deferred tax liabilities are recognised on all material temporary differences between the tax base of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available to use these tax assets. Deferred tax is presented on a net basis per (fiscal) entity. The principal temporary differences arise from revaluation of financial assets and liabilities, including derivatives and insurance liabilities. The rates enacted or decided upon on the reporting date are used to determine the deferred tax.

Deferred tax assets and liabilities caused by temporary differences in tax base at year-end

In thousands of euros	2017	2016
Insurance liabilities	33,788	31,697
Investments	-9,051	-9,443
Intangible fixed assets	-545	-496
Deferred acquisition costs	-	-1,323
Other	-	-82
Total deferred tax	**24,192**	**20,353**

The full amount of tax assets and liabilities is netted and expected to be recoverable or payable.

Deferred tax assets

In thousands of euros	2017	2016
At 1 January	20,353	5,032
Recognised through the income statement	5,939	3,080
Movement in revaluation reserve	-2,099	12,240
At 31 December	**24,192**	**20,353**

Together with the other group companies that are part of the fiscal unity, Delta Lloyd Schadeverzekering is jointly and severally liable for income tax payable by NN Group. The income tax receivable by NN Group at the end of 2017 amounts to EUR 28.0 million (2016: EUR 17.8 million receivable).

Tax charged to the income statement in the financial year

In thousands of euros	2017	2016
Current tax liabilities	-2,839	6,364
Tax due for immediate payment	**-2,839**	**6,364**
Deferred tax:		
Originating from temporary differences	-5,939	-3,080
Total deferred tax	**-5,939**	**-3,080**
Total tax charged to income statement	**-8,778**	**3,284**

The categories of movements in deferred tax were as follows:

Movements in deferred tax in the result

In thousands of euros	2017	2016
Insurance liabilities	-2,091	-9,148
Investments	-2,623	5,835
Intangible fixed assets	49	75
Deferred acquisition costs	-1,323	48
Other	49	110
Total	**-5,939**	**-3,080**

Tax charged to shareholders' funds at year-end

In thousands of euros	2017	2016
Deferred tax	-2,099	12,240
Total tax charged to shareholders' funds	**-2,099**	**12,240**

Deferred tax charged to shareholders’ funds mainly relates to investments that are recognised directly into equity. In 2017 and 2016, the nominal tax rate was 25.0%.

The difference between the effective tax rate and the nominal tax rate is explained below:

Tax charged to the income statement in the financial year

In thousands of euros	2017	2016
Result before tax from continuing operations	**-14,312**	**16,228**
Tax calculated at standard Dutch corporation tax rate of 25.0%	**3,578**	**4,057**
Non-assessable dividends	-92	-556
Untaxed (un) realised gains and losses	-5,081	-351
Other	-27	134
Total tax charged to income statement	**-8,778**	**3,284**

2.7.20 Subordinated debt

Loans are initially recognised at the proceeds of their issue less transaction costs incurred. Subsequently, loans are measured at amortised cost, and any difference between net proceeds and the redemption value is recognised in the income statement over the remaining term of the loans using the effective interest rate method.

Loans outstanding at year-end

In thousands of euros	2017	2016
NN Group N.V.	130,000	130,000
Total	**130,000**	**130,000**

Perpetual Subordinated Loan

As on 27 June 2014, Delta Lloyd Schadeverzekering borrowed EUR 130.0 million from Delta Lloyd N.V. at a coupon of 5.6% (fixed-to-floating rate). As a result of the mergers during 2017 (see section 1.2 'NN Group and Delta Lloyd Schadeverzekering at a glance') the loan is now owned by NN Group at 31 December 2017. The subordinated and perpetual loan may only be redeemed at the option of Delta Lloyd Schadeverzekering (first call date on 27 June 2024).

2.7.21 Other financial liabilities

Other financial liabilities at year-end

In thousands of euros	2017	2016
Demand deposits	334	-
Financial liabilities with related parties	22,696	38,357
Other financial liabilities	**23,030**	**38,357**

As previous year, other financial liabilities are expected to be settled within one year.

2.7.22 Other liabilities

Other liabilities at year-end

In thousands of euros	2017	2016
Payables arising out of direct insurance	52,923	60,828
Payables arising out of reinsurance	12,539	30,158
Accruals and deferred income	68,744	121,801
Short-term creditors	11,120	20,639
Total	**145,326**	**233,426**
Expected to be settled within one year	145,105	233,426
Expected to be settled in more than one year	221	-
Total	**145,326**	**233,426**

2.7.23 Contingent assets and liabilities

General

Delta Lloyd Schadeverzekering is involved in litigation and other binding proceedings involving claims by and against Delta Lloyd Schadeverzekering which arise in the ordinary course of its business, including in connection with its activities as insurer, investor and its position as employer and taxpayer. In certain of such proceedings, very large or indeterminate amounts are sought. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, Delta Lloyd Schadeverzekering is not aware of any proceedings (including any such proceedings which are pending or threatened of which Delta Lloyd Schadeverzekering is aware) which may have, or have in the recent past had, a significant effect on the financial condition, profitability or reputation of Delta Lloyd Schadeverzekering. Accordingly, no significant provisions have been made in this respect.

Uncertainty over claims provisions

Section 2.7.15 ‘Insurance liabilities’ gives details of the estimation techniques and assumptions used to determine the provisions for outstanding claims. The assumptions are designed to ensure that the provisions for future liabilities, including any future bonuses, are prudent. Both are expected to give an estimated result. Due to the nature of the estimation process, there is uncertainty about this future liability, for example where actual outcomes are worse than assumed, or where assumptions about inflation of business claims may change in the future.

Asbestos, pollution and other environmental hazards

As part of their insurance business, Delta Lloyd Schadeverzekering receives insurance liability claims that could lead to actual or threatened litigation. This includes claims in respect of pollution and other environmental hazards. Among these are claims relating to asbestos production and handling in the Netherlands. The ultimate cost cannot be determined with certainty, given the significant delays experienced in receiving notification of these claims, the number of potential claims involved, and the uncertainties associated with establishing liability. On the basis of current information and taking into account the level of provisions made for these specific general insurance claims, Delta Lloyd Schadeverzekering considers it unlikely for any additional costs arising to have a material impact on its financial position.

Guarantees

Delta Lloyd Schadeverzekering has granted warranties as part of insurance contracts. These warranties are taken into account in the calculation of the insurance liabilities. No other material warranties have been granted.

Other

Delta Lloyd Schadeverzekering is a member of a fiscal unity with NN Group N.V. and its other subsidiaries. Delta Lloyd Schadeverzekering has joint and several liability for the tax liabilities of the NN Group N.V. fiscal unity.

2.7.24 Off-balance sheet positions

Off-balance sheet commitments

Contingent liabilities, including credit facilities granted and guarantees issued for the liabilities of third parties, are not recognised in the statement of financial position as their existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Delta Lloyd Schadeverzekering. The amount of these obligations cannot be measured with sufficient reliability.

The maximum potential credit risk of these contingent liabilities is stated. In order to determine the maximum potential credit risk the assumption is that all counterparties will fail to meet their contractual obligations and that all collateral received has no value.

Contractual commitments not recognised in the statement of financial position are as follows:

Off balance sheet liabilities at year-end

In thousands of euros	2017	2016
Warranty in favour of Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden N.V. for an indefinite period	4,829	7,113
Warranty in favour of DAP Holding N.V. for an indefinite period	390	390
Warranty in favour of DAS Holding N.V. for an indefinite period	1,355	1,355
Indemnity for DAP Holding N.V. for an indefinite period	12,200	12,200
Total	**18,774**	**21,058**

2.7.25 Fair value of financial assets and liabilities

Financial assets and liabilities are categorised according to the following fair value hierarchy. Transfers between levels of the fair value hierarchy are deemed to occur at the end of the reporting period.

Published prices in active markets ('Level 1')

Fair value measured at level 1 only uses quoted prices (unadjusted) in active markets for identical assets and liabilities. An active market is one in which transactions take place with sufficient frequency and volume so that prices are regularly available. Examples are equity securities, bonds and investment funds listed on active markets.

Measurement method based on significant observable market inputs ('Level 2')

Fair value measured at level 2 uses inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. If an asset or liability has a given contractual term, a level 2 input variable must be observable for practically the full term of that asset or liability. Level 2 involves the following input variables:

- Quoted prices for similar (i.e. not identical) assets/liabilities in active markets;
- Input variables other than quoted prices observable for the asset (for example, interest rates and yield curves observable at customary intervals, volatility, early redemption spreads, loss ratio, credit risks and default percentages);
- Input variables arising mainly from or confirmed by observable market data by correlation or other means (market-confirmed inputs);
- For derivatives the value used by Central Clearing Houses.

Examples of assets or liabilities at level 2 are financial instruments measured using discounted cash flow models. These are based on observable market swap yields (such as securitised mortgages or private interest rate derivatives), on investment property measured using observable market data and quoted debt instruments or equity securities in a non-active market.

Measurement method not based on significant observable market inputs ('Level 3')

Fair value measured at level 3 significantly uses inputs for the asset or liability that are not based on observable market data. Unobservable inputs can be used if observable inputs are not available, and so fair value can still be measured at the reporting date in situations in which there is no or almost no active market for the asset or liability. For private equity investments and private placements external broker quotes are used when the market is no longer transparent and/or liquid. These broker quotes are challenged twice a year by obtaining quotes from other brokers as well. The value of NN's own broker is leading, but when the difference between the brokers is significant additional information is obtained and a best estimate is made based on all available information. Investment property is reported under level 3 if there is no active market.

A small percentage of the total assets are measured at fair value based on estimates and recorded as level 3.

The tables below show financial assets and liabilities measured at fair value and the total carrying value to maintain the link with the relevant statement of financial position items.

Financial assets at year-end

In thousands of euros	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Debt securities	1,597,405	1,597,405	1,596,121	-	1,284
Equity securities	149,719	149,719	42,670	97,184	9,866
Derivatives	407	407	-	407	-
Loans and receivables at amortised cost	207,582	221,426	-	221,426	-
Receivables and other financial assets	250,903	250,903	-	250,903	-
Accrued interest and prepayments	32,444	32,444	16,982	15,447	16
Cash and cash equivalents	14,436	14,436	14,436	-	-
Total	**2,252,897**	**2,266,741**	**1,670,209**	**585,366**	**11,166**

Financial assets at prior year-end

In thousands of euros	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Debt securities	1,585,313	1,585,313	1,582,422	1,191	1,700
Equity securities	162,219	162,219	35,967	97,602	28,650
Derivatives	413	413	-	413	-
Loans and receivables at amortised cost	212,341	231,694	-	231,694	-
Receivables and other financial assets	312,920	312,920	-	312,920	-
Accrued interest and prepayments	34,776	34,776	17,955	16,820	1
Cash and cash equivalents	95,329	95,329	95,329	-	-
Total	**2,403,310**	**2,422,664**	**1,731,674**	**660,639**	**30,350**

Financial liabilities at year-end

In thousands of euros	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Subordinated debt	130,000	136,259	-	136,259	-
Derivatives	1,817	1,817	-	1,817	-
Other financial liabilities	23,030	23,030	-	23,030	-
Total	**154,847**	**161,106**	**-**	**161,106**	**-**

Financial liabilities at prior year-end

In thousands of euros	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Subordinated loans	130,000	131,719	-	131,719	-
Derivatives	4,254	4,254	-	4,254	-
Other financial liabilities	38,369	38,369	-	38,369	-
Total	**172,624**	**174,343**	**-**	**174,343**	**-**

The fair value of financial assets and liabilities is the amount that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between market participants at the measurement date under the current market conditions. The way the fair value is established for each statement of financial position category is set out below.

Financial assets

Financial instruments (debt securities, equity securities and derivatives)

Quoted prices in an active market ('unadjusted, market observable prices') are sought first. If such prices are not available or if there is no active market, financial instruments are measured using input available in the market other than market prices: measurement derived from pricing. If no direct external or derived market prices are available, Delta Lloyd Schadeverzekering uses brokers' quotes. This category includes measurement based on Delta Lloyd Schadeverzekering's own measurement models (for derivative financial instruments).

Loans and receivables at amortised cost

The fair value of loans (including mortgages) and receivables is estimated by comparing discounted future cash flows using market interest rates at the date the loan was granted against current market interest rates for similar loans and advances at the reporting date. The measurement model takes into account observable as well as non-observable inputs. As far as possible, the input for the model uses observable market data rather than unobservable data. With regard to the mortgage portfolio, observable inputs used were risk-free interest rates (swap), illiquidity/funding spreads (RMBS spreads) and an extra spread to incorporate additional market observable data (i.e. primary consumer pricing). Non-observable inputs included servicing cost, early repayment probabilities, credit spreads, and a solvency spread for future parameter uncertainty. Since 2016, the valuation of the mortgage portfolio is solely based on the primary consumer pricing minus cost components. This change has no impact on the valuation, since the previous methodology already incorporated the primary consumer pricing in an additional spread.

Receivables, other financial assets and cash and cash equivalents

The carrying value of receivables and other financial assets is regarded as a good approximation of the fair value, as these assets have a short-term nature.

Financial liabilities

Financial instruments (subordinated debt)

The fair value of financial instruments is estimated by discounting future cash flows using the discount rate applicable for similar financial instruments at the reporting date.

Other financial liabilities

The carrying value of other financial liabilities is regarded as a good approximation of the fair value.

The tables below offer additional information on financial instruments for which there are insufficient observable market inputs (level 3 of the fair value hierarchy).

Statement of changes in financial instruments within Level 3 at year-end

In thousands of euros	Equity securities	Debt securities	Total
At 1 January	28,650	1,700	30,350
Disposals	-10,741	-1,580	-12,322
Changes in fair value recognised through equity	-11,042	-292	-11,334
Changes in fair value recognised through profit and loss	-	-82	-82
At 31 December	**6,866**	**1,284**	**8,150**

Statement of changes in financial instruments within Level 3 at prior year-end

In thousands of euros	Equity securities	Debt securities	Total
At 1 January	31,292	2,597	33,888
Disposals	-	-1,092	-1,092
Changes in fair value recognised through equity	-2,642	253	-2,389
Changes in fair value recognised through profit and loss	-	3	3
Transfer out of Level 3	-	-61	-61
At 31 December	**28,650**	**1,700**	**30,350**

Related to debt securities transfers from level 2 to level 1 were nil (2016: EUR 9.8 million) and transfers from level 1 to level 2 were also nil (2016: EUR 1.8 million).

The total accumulated unrealised revaluation of the investments on level 3 at year-end 2017 amounting to EUR 4.5 million (2016: EUR 15.8 million) through other comprehensive income results from debt securities and equity securities held as available for sale. These gains and losses are recognised in the revaluation reserve in the statement of comprehensive income. The realised gains and losses are transferred to income statement and presented as line item ‘realised gains and losses on investements classified as available for sale’. The accumulated impairment of investments on level 3 at year-end was EUR 0.2 million (2016: EUR 0.2 million).

A small percentage of the total assets are measured at fair value based on estimates and recorded as level 3. Where estimates are used, these are based on a combination of evidence from independent third parties and models developed in-house, calibrated where possible against observable market input. Although such measurements can be sensitive to estimates, it is presumed that changing one or more assumptions to another reasonable alternative assumption will not significantly change the fair value.

Sensitivity analysis Level 3

In thousands of euros	Significant non-observable assumptions	Impact on result 2017	Impact on equity 2017	Impact on result 2016	Impact on equity 2016
Equity securities	Market spread +/- 10%	+/- 0	+/- 987	+/- 0	+/- 2,865
Debt securities	Liquidity premium +/- 0.5%	+/- 2	+/- 5	+/- 2	+/- 6

All level 3 equity securities are classified as available for sale, therefore no effect on result is shown.

2.7.26 Related party transactions

Services provided to related parties

In thousands of euros	Income earned in year 2017	Receivable at year-end 2017	Income earned in year 2016	Receivable at year-end 2016
Current accounts of related parties	-	41,640	-	9,552
Interest received from related parties	-	-	18	-
Fees received from related parties	-	-	4	-
Income from reinsurance agreements with related parties	3,612	-	3,692	-
Service Level Agreements with related parties	20,682	-	22,933	-
Total	**24,293**	**41,640**	**26,647**	**9,552**

Services provided by related parties

In thousands of euros	Expenses incurred in year 2017	Payable at year-end 2017	Expenses incurred in year 2016	Payable at year-end 2016
Loans from related parties (long-term)	-	130,000	-	130,000
Current account with related parties	-	18,881	-	34,563
Interest payable to related parties	-	3,730	-	3,782
Interest paid to related parties	7,367	-	7,663	-
Expenses for services received (Service Level Agreement)	52,552	-	69,543	-
Fees paid to related parties	1,298	-	1,117	-
Total	**61,218**	**152,611**	**78,323**	**168,345**

All related party transactions are on terms equivalent to arm's length transactions.

Certain entities of NN Group provide IT, facilities, employee and asset management services for Delta Lloyd Schadeverzekering. The cost of these services is recharged.

Related party payables are not secured and no guarantees have been received in respect of them. The payables will be settled on normal credit terms.

Information on remuneration, interests and transactions of the members of the Management Board and the Supervisory Board is included in section 2.7.6 'Remuneration of the Management Board and the Supervisory Board'. Within Delta Lloyd Schadeverzekering, only the Management Board and the Supervisory Board are considered to be key management, as they determine and monitor respectively the company's operational and financial policies.

Key management personnel costs

In thousands of euros	2017	2016
Short-term employee benefits	897	1,153
Post-employment benefits	187	246
Other long-term benefits	17	7
Share-based payment	199	49
Total	**1,300**	**1,455**

No remuneration of Supervisory Board members was charged to the company in the current or prior financial year.

2.7.27 Other events

On 18 January 2018, the Netherlands was affected by severe storms. The impact on the results in the first quarter of 2018 is currently estimated at approximately EUR 25 million, pre-tax net of reinsurance.

Until 1 March 2018, Delta Lloyd Schadeverzekering was a direct subsidiary of Delta Lloyd Houdstermaatschappij which in turn is a fully owned subsidiary of NN Group. On 1 March 2018, the shares of Delta Lloyd Schadeverzekering were transferred from Delta Lloyd Houdstermaatschappij to 'NN Nederland'.

As a result of this transfer, Delta Lloyd Schadeverzekering is a direct subsidiary of NN Nederland as of 1 March 2018. NN Nederland is a fully owned subsidiary of NN Insurance Eurasia N.V. NN Insurance Eurasia N.V. is fully owned by NN Group.

2.7.28 Audit fees

The audit fees are disclosed in the annual report of NN Group. Delta Lloyd Schadeverzekering uses the right of exemption in accordance with Section 382a (3) of Part 9 of Book 2 of the Dutch Civil Code.

2.8 Other information

2.8.1 Authorisation of the Financial statements

The Financial statements of Delta Lloyd Schadeverzekering for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Management Board on 26 April 2018. The Management Board may decide to amend the Financial statements as long as these are not adopted by the General Meeting.

The General Meeting may decide not to adopt the Financial statements, but may not amend these during the meeting. The General Meeting can decide not to adopt the Financial statements, propose amendments and then adopt the Financial statements after a normal due process.

The Hague, 26 April 2018

The Management Board

L.M. (Leon) van Riet, CEO and chair

T. (Theo) Brink, CFO

P. (Peter) Brewee, CRO

The Supervisory Board

J.H. (Jan-Hendrik) Erasmus, chair

D. (Delfin) Rueda

R.L. (Robin) Spencer

Confirmed and adopted by the General Meeting, dated 1 June 2018.

2.8.2 Profit appropriation

The result is appropriated pursuant to article 24 of the articles of association of Delta Lloyd Schadeverzekering the relevant stipulations of which state that the appropriation of result shall be determined by the General Meeting.

Reference is made to section 2.7.13 ‘Share capital’ for the proposed appropriation of result.

Article 24 (1) to (6) of the articles of association, relating to the appropriation of profit and reserves, states:

Article 24 Appropriation of profit and reserves

(1) The company may make distributions to shareholders and others entitled to the distributable profit only to the extent that its equity exceeds the paid-up part of the capital of the company plus the reserves to be held to according to law.

(2) The profit disclosed in the income statement adopted by the general meeting of shareholders shall be at the disposal of the general meeting of shareholders.

(3) The company may make interim distributions, provided the provisions of clause 1 have been met as shown by an interim statement of equity drawn up pursuant to the provisions of the law.

(4) No distributions shall be made to the company on shares or depositary receipts for shares held by the company in its own capital.

(5) In calculating the profit to be distributed, no allowance shall be made for shares held by the company in its own capital on which no distribution may be made pursuant to the provisions in clause 4.

(6) A shareholder’s claim to a distribution shall lapse after five years of that distribution becoming payable.

Dividend Amount

The amount of the dividend is set by the management of Delta Lloyd Schadeverzekering, taking into account the advice of Delta Lloyd Schadeverzekering risk management.

2.8.3 Independent auditor's report

Independent auditor's report

To: the shareholder and supervisory board of Delta Lloyd Schadeverzekering N.V.

Report on the audit of the financial statements 2017 included in the annual report

Our opinion

We have audited the financial statements 2017 of Delta Lloyd Schadeverzekering N.V. ('Delta Lloyd Schadeverzekering' or 'the Company'), based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Delta Lloyd Schadeverzekering as at 31 December 2017, and of its result and its cash flows for 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The statement of financial position as at 31 December 2017
- The following statements for 2017: the income statement, the statements of comprehensive income, changes in shareholder funds and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Delta Lloyd Schadeverzekering in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€ 3.6 million (2016: € 4.2 million)
Benchmark applied	1.5% of Delta Lloyd Schadeverzekering's shareholder's funds
Explanation	Delta Lloyd Schadeverzekering's equity and solvency, and the ability to meet policyholder liabilities, are key indicators for the users of its financial statements. As such, we have based materiality on Delta Lloyd Schadeverzekering's shareholder's funds.

We have also taken misstatements into account and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of € 180,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Fair value measurement of investments and related disclosures	
Risk	The Company invests in various asset types, of which 89% is carried at fair value in the balance sheet. Of these investments, 1% is related to investments for which no published prices in active markets are available. Fair value measurement can be subjective, and more so for areas of the market reliant on model based valuation or with weak liquidity. Valuation techniques for mortgages and for non-listed bonds, equities and derivatives involve setting various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value. Associated risk management disclosure is complex and dependent on high quality data. Specific areas of audit focus include the valuation of Level 3 assets where valuation techniques are applied in which significant unobservable inputs are used.
Our audit approach	We assessed and tested the design, existence and operating effectiveness of the controls over valuation, independent price verification and model validation and approval. We performed additional procedures, supported by our valuation specialists where necessary. This included, where relevant, comparison of judgments made to current and emerging market practice and re-performance of valuations on a sample basis. We also assessed the impact of other sources of fair value information including gains or losses on disposal and fair value information based on the Company's own purchase transactions. Finally, we assessed and tested the design and operating effectiveness of the controls over related disclosures including the disclosure of valuation sensitivity and fair value hierarchy in note 2.7.25.
Key observations	Based on our procedures performed we consider the fair value of financial instruments to be within a reasonable range. The fair value disclosures of investments meet the requirements of IFRS-EU.
Estimates used in calculation of insurance contract liabilities and Liability Adequacy Test (LAT)	
Risk	The Company has significant insurance contract liabilities of € 1.9 billion representing 78% of the Company's total liabilities. The measurement of insurance contract liabilities involves significant judgment over uncertain future outcomes, mainly the ultimate total settlement value of insurance liabilities. Various economic and non-economic assumptions are being used to estimate these liabilities. The valuation of the insurance liabilities requires the application of significant judgement in the setting of: • The number of claims incurred but not reported, and their financial effect. • The development of claims amounts, including morbidity, recovery and mortality rates for bodily injury and disability covers (including authorized agents).

	The Company's IFRS liability adequacy test (LAT) is a key test performed in order to ensure that insurance liabilities are adequate in the context of expected future cash outflows, and as such an attention point for our audit.
Our audit approach	We involved our own actuarial specialists to assist us in performing our audit procedures in this area, which included among others: • Consideration of the appropriateness of the IBN(E)R assumptions used in the valuation of the insurance liabilities by reviewing claim development tables of the Company. • Consideration of the appropriateness of the disability and recovery rate assumptions by reference to company and industry data on historical experience and expectations of future developments of claims. • Consideration of the representativeness of the estimate based on the Solvency II curve as a representation of current market interest rates by reference to market data and developments in the public domain. This included the consideration of interpolation and extrapolation parameters and techniques as well as the explicit inclusion of liquidity spread, credit risk adjustment, last liquid point and UFR. Other key audit procedures included assessing the Company's methodology for calculating the insurance contract liabilities and an assessment of internal controls in this respect, including the controls around information provided by agents and incoming reinsurance. In addition, we took note of the Company's analysis of the movements in insurance contract liabilities during the year. We assessed whether the movements are in line with the changes in assumptions adopted by the Company, our understanding of developments in the business and our expectations derived from market experience. We performed detailed substantive procedures on premium and claims suspense accounts and assessed related provisions. We have evaluated management's analysis of the nature and aging of the reconciling items and related provisions. Further, we considered the validity of the Company's IFRS LAT results by assessing the reasonableness of the projected cash flows and challenging the assumptions adopted, including those for expected loss ratio, IBN(E)R, expense and disability and recovery rate, based on Company's and industry experience data, expected market developments and trends. We considered whether the Company's disclosures in note 2.7.15 of the financial statements in relation to insurance contract liabilities and liability adequacy test results are compliant with the relevant accounting requirements.
Key observations	We consider the estimates used to be within a reasonable range. The disclosures of insurance contract liabilities and liability adequacy test results meet the requirements of IFRS-EU.
Reliability and continuity of the information technology and systems	
Risk	The Company is highly dependent on its IT systems and IT infrastructure for the continuity of the operations. The Company continues to invest in its IT systems and IT infrastructure and processes to meet clients' needs and business requirements. Delta Lloyd Schadeverzekering is continuously improving the efficiency and effectiveness of its IT systems and IT infrastructure and the reliability and continuity of the electronic data processing, including its defense against cyber-attacks.

	Anticipating the planned merger with Nationale Nederlanden Schadeverzekeringen N.V. (NN Non-Life), the Company started in March 2017 with the preparation of the integration of the IT systems of the Company with the IT systems of NN Non-life.
Our audit approach	As part of our audit procedures we have assessed the changes in the IT systems and IT infrastructure and have tested the reliability and continuity of electronic data processing within the scope of the audit of the annual accounts. For that purpose we have included IT auditors in our team. Our procedures included testing of controls with regards to IT systems and processes relevant for financial reporting. A particular area of attention related to application controls in and interfaces around the policies and claims handling application ANVA. We assessed follow-up of the findings noted in these areas in previous year and to mitigate the audit risk, we performed additional procedures.
Key observations	The combination of the tests of controls and the substantive tests performed provided sufficient appropriate evidence for the purposes of our audit.

In the 2016 auditor's report, 'Solvency' was identified as key audit matter. Since we consider the risk around this matters lower compared to prior year, we have no longer included this items as key audit matter.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The management board's report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the supervisory board as auditor of Delta Lloyd Schadeverzekering on 14 May 2008, as of the audit for the year 2008 and have operated as statutory auditor ever since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Other non-prohibited services provided

In addition to the statutory audit of the financial statements we provided the following services:

- We issued review reports and an auditor's report on Delta Lloyd Schadeverzekering's group reporting packages prepared for the purpose of consolidation by its ultimate parent company.
- We issued an auditor's report on selected regulatory reporting templates of Delta Lloyd Schadeverzekering to the Dutch Central Bank (DNB).
- We issued assurance reports on statements of premium income and number of motor vehicles insured.

Description of responsibilities for the financial statements

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.,:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 26 April 2018

Ernst & Young Accountants LLP

Signed by A. Snaak

3 General information

3.1 Glossary

Acquisition costs
Fixed and variable costs arising from writing insurance contracts.

Amortised cost of financial asset or financial liability
The amount at which the financial asset or financial liability is measured at initial recognition; less any principal repayments; plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount; and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

Asset and liability management (ALM)
The process Delta Lloyd uses to gain insight into mutual dependencies in the development of its assets and liabilities, with the aim of limiting market risks while at the same time achieving the highest possible return within those limits.

Available for sale (AFS)
This is a category of financial assets, other than derivative financial instruments, designated as available for sale or which are not classified as loans, held-to-maturity investments, or financial assets at fair value through profit or loss. They are measured at fair value with gains and losses recognised through equity.

Claims ratio
The claims ratio is claims, including claims handling costs, expressed as a percentage of net written premiums.

Combined operating ratio (COR)
A measure of profitability used by an insurance company to indicate how well it is performing in its daily operations. A ratio below 100% indicates that the company is making underwriting profit while a ratio above 100% means it is paying out more money in claims that it is receiving from premiums. The combined operating ratio is calculated by taking the sum of incurred losses and expenses and dividing this by earned premium.

Control
Delta Lloyd Schadeverzekering has control of an (structured) entity if it (a) has power over the entity; (b) is exposed, or has rights, to variable returns due to their involvement in the relevant activities of the entity; and (c) has the ability to use its power to affect the level of return, reflecting a link between power and returns.

Credit risk
The risk of default on a financial instrument that may arise from a creditor failing to make required payments.

Currency risk
The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Deferred acquisition costs (DAC)
Costs directly attributable to the acquisition of new business for insurance and participating investment contracts are deferred provided they are covered by future margins on these contracts.

Defined contribution plan (DC)
Pension plan under which an entity (a company) pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to meet its obligations to its current and future beneficiaries.

Derivative financial instruments
Derivative financial instruments include foreign exchange contracts, interest rate futures, currency and interest rate swaps, currency and interest rate options (both written and purchased), swaptions and other financial instruments that derive their value mainly from underlying interest rates, foreign exchange rates, commodity values or equity instruments.

Dutch Corporate Governance Code
The Dutch Corporate Governance Code contains principles and best practices on the governance of listed companies and their accountability to their shareholders on this topic. The Code was adopted in 2003 by the Tabaksblat Committee, and was last revised in December 2016.

Effective interest method
A method of calculating the amortised cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period.

Fair value
The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial reporting risks
The risk that Delta Lloyd Schadeverzekering's financial statements contain a material error. Financial reporting risk includes reserving risk and the risk that the insurance liabilities of the life, non-life and investment business are not adequately determined and reported.

Financial risk
Financial risk means the uncertainty of a return and the potential for monetary loss. Financial risk includes credit risk, equity risk, property risk, inflation risk, interest rate risk, currency risk, insurance risk and liquidity risk.

Goodwill
The positive difference between the cost of an acquired activity and Delta Lloyd Schadeverzekering's share in the fair value of the assets, liabilities and contingent liabilities of the acquired subsidiary on the acquisition date.

Gross written premiums
Total premiums (earned or unearned) in a given period on insurance and reinsurance contracts.

IFRS discount curve
As of 30 June 2016, Delta Lloyd Schadeverzekering uses an IFRS discount curve which is based on the Solvency II curve, including a volatility adjustment, credit risk adjustment and an UFR as the estimate for a current market interest rate curve under IFRS. The basis curve is the EUR swap curve. Interpolation is applicable for maturities for which no interest rate is provided up to the last liquid point.

Incurred but not reported (IBNR) provision
A provision for claims that have occurred by the reporting date but have not yet been reported to the insurer.

Insurance contract
A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder in exchange of a premium.

Insured event
An uncertain future event that is covered by an insurance contract and creates insurance risk.

Interest rate risk
The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates or the IFRS discount curve.

International Financial Reporting Standards (IFRS)
Reporting standards and interpretations for companies adopted by the International Accounting Standards Board (IASB). These comprise:

- International Financial Reporting Standards (IFRS);
- International Accounting Standards (IAS) and
- Interpretations by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

Lapse risk
The risk that policyholders will terminate their insurance contracts earlier or, more often, before the expiry date. The stress test assumes an increase in the lapse rate, meaning a decline in future profits and earlier benefit payments.

Lease
An agreement where the lessor transfers the right to use an asset for an agreed period to the lessee in return for a series of payments.

Liquidity coverage ratio (LCR)
A ratio showing in case of a stress situation (e.g. mass lapse, catastrophe) how sufficient the liquid stock of assets is.

Liquidity risk
The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

Loan to market value
The ratio of the mortgage as a percentage of the total appraised value of the underlying property.

Market risk
The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Method and assumption setting cycle (MASC)
In this cycle, all methods and assumptions used to determine provisions and the liability adequacy tests are adjusted and validated.

Net investment income
Investment income consists of cash and stock dividends, interest and rental income receivable for the year, fair value changes in investments through profit or loss, impairment charges on available-for-sale investments, impairment charges on loans and receivables at amortised cost, and gains and losses on the sale of investments.

Net written premiums
Gross written premiums less reinsurance premiums paid in a given period.

Operational risk
The risk that losses may occur from the inadequacy or malfunctioning of internal processes or systems, human error, criminal behaviour or external events and risks relating to matters such as fraud and crime prevention, personnel, IT/infrastructure, business protection, projects and programmes, business processes, third parties and distribution.

Over-the-counter (OTC) instrument
Non-standard financial instruments that are not exchange traded but negotiated directly between market parties.

Premiums earned
The portion of net written premiums in the current and previous periods that relate to the expired part of the term or the policy, calculated by deducting movements in the provision for unearned premiums and unexpired risks from the net premiums.

Provision for unearned premiums
The proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods.

Share premium
Calls paid on shares in excess of the nominal value.

Significant influence
The power to participate in the financial and operating policy decisions of an entity, but not to exercise control over those policies. Significant influence may be gained by share ownership, by law or under an agreement.

Solvency II
The regulatory framework for insurance companies operating in the European Union.

SCR calculation based on the Standard Formula
If the Solvency Capital Requirement is calculated using the standard formula, it consists the capital requirement for operational risk and the adjustment for the loss-absorbing capacity of technical provisions and deferred taxes.

Strategic risk
The risk that targets are not achieved because Delta Lloyd Schadeverzekering fails to respond, or respond inadequately, to changes in the business environment and risks related to matters such as mergers and acquisitions, brands and reputation, risk management, audits, corporate social responsibility, climate, customers and communications.

Structured entity
An entity that has been designed so that voting rights are not the dominant factor in deciding who controls the entity, for example when any voting rights relate to administration tasks only and the relevant activities are directed by means of contractual agreements.

Ultimate forward rate (UFR)
The UFR is the fixed forward discount rate, after the last liquid point in the swap futures.

3.2 Abbreviations

A&E	Asbestos and environmental
ABS	Asset Backed Securities
AFH	Actuarial Function Holder
AFS	Available for sale
AG	Dutch Society of Actuaries (*Actuarieel Genootschap*)
ALM	Asset Liability Management
Bps	Basis points
CAS	Corporate audit services
CDO	Collateralised debt obligation
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CLO	Collateralised loan obligation
COR	Combined operating ratio
CRA	Credit Risk Adjustment
CRO	Chief Risk Officer
CSM	Contractual service margin
DAC	Deferred Acquisition Costs
DMI	Dutch Marine Insurance
DNB	Dutch Central Bank (*De Nederlandsche Bank N.V.*)
EIOPA	European Insurance and Occupational Pensions Authority
EOF	Eligible own funds
EU	European Union
FTE	Full-time equivalent
FVTPL	Fair value through profit or loss
HFT	Held for Trading
HR	Human Resources
IAS	International Accounting Standard

IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
LACDT	Loss-absorbing capacity deferred taxes
L&R	Loans & Receivables
LCR	Liquidity Coverage Ratio
LLP	Last Liquid Point
LTMV	Loan to Market Value
MASC	Method and Assumption Setting Cycle
NFR	Non financial risk
NHG	National Mortgage Scheme *(Nationale Hypotheken Garantie)*
NHT	Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden
OCI	Other comprehensive income
OOP	Owner occupied property
OROE	Operational Return On Equity
ORSA	Own Risk and Solvency Assesment
OTC	Over-the-counter
OTT	Other than Trading
P&C	Property & Casualty
PARP	Product approval and review process
PIM	Partial internal model
pp	Percentage points
RMBS	Residential mortgage-backed security
RMS	Risk Management Solutions (catastrophe model)
SCR	Solvency Capital Requirement
S&P	Rating agency Standard & Poor’s
SF	Standard formula
SME	Small and Medium sized Enterprises

UFR	Ultimate forward rate
VA	Volatility adjustment
VIU	Value in use
WAO	Occupational Disability Insurance Act (*Wet op de arbeidsongeschiktheids-verzekering*)
Wft	Dutch Financial Supervision Act (*Wet op het financieel toezicht*)
WIA	Work and Income (Capacity for Work) Act (*Wet werk en inkomen naar arbeidsvermogen*)
WVV	Wiskundig Vastgestelde Voorziening

3.3 Contact and legal information

Contact us

Delta Lloyd Schadeverzekering N.V.
Spaklerweg 4

1096 BA Amsterdam
P.O. Box 1000, 1000 BA Amsterdam
The Netherlands
Internet: www.deltalloyd.nl

Commercial register, no. 33052073

Delta Lloyd Schadeverzekering N.V. is part of NN Group N.V.

Disclaimer

Certain of the statements in this 2017 Annual Report are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation: (1) changes in general economic conditions, in particular economic conditions in Delta Lloyd Schadeverzekering's core markets, (2) changes in performance of financial markets, including developing markets, (3) consequences of a potential (partial) breakup of the euro or European Union countries leaving the European Union, (4) changes in the availability of, and costs associated with, sources of liquidity as well as conditions in the credit markets generally, (5) the frequency and severity of insured loss events, (6) changes affecting mortality and morbidity levels and trends, (7) changes affecting persistency levels, (8) changes affecting interest rate levels, (9) changes affecting currency exchange rates, (10) changes in investor, customer and policyholder behaviour, (11) changes in general competitive factors, (12) changes in laws and regulations and the interpretation and application thereof, (13) changes in the policies and actions of governments and/or regulatory authorities, (14) conclusions with regard to accounting assumptions and methodologies, (15) changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards, (16) changes in credit and financial strength ratings, (17) Delta Lloyd Schadeverzekering's ability to achieve projected operational synergies, (18) catastrophes and terrorist-related events, (19) adverse developments in legal and other proceedings and the other risks and uncertainties detailed in the Risk Factors section contained in recent public disclosures made by NN Group and/or related to NN Group.

Any forward-looking statements made by or on behalf of Delta Lloyd Schadeverzekering in this Annual Report speak only as of the date they are made, and, Delta Lloyd Schadeverzekering assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason. This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities.