Interim financial report 2016

17 August 2016

delta lloyd

1 EXECUTIVE BOARD REPORT

1.1 Highlights

Standard Formula ratio	Net capital generation	HoldCo cash
173%	**66m**	**592m**
42pp ↑	after exceptional weather impact	286% ↑

New business margin	Combined ratio	Interim dividend
1.8%	**105.9%**	**€ 0.10**
n.a.	9.1pp ↑	€ 0.21

1.2 Developments in the first half

Macroeconomic developments

The first six months of 2016 were marked by volatile markets, exceedingly low interest rates and exceptional weather conditions in the Netherlands in June that led to more general insurance claims than usual, putting pressure on insurers' margins.

In June, the UK voted to leave the European Union. While Delta Lloyd was prepared for a possible Brexit, with limited UK exposure, the fallout from the referendum hit financial markets hard and pushed interest rates even lower, impacting the entire insurance sector. Next to this, EIOPA's pending review of the ultimate forward rate (UFR) methodology to determine the solvency position creates further uncertainty for insurers.

Strategic developments

During the first half, we made good progress on the execution of our capital plan and substantially improved the group's capital position. We are pleased that our shareholders supported the € 650 million rights issue. Additionally, we have delivered on management actions including the sale of our shareholding in Van Lanschot. Together, this enabled a Solvency II SF ratio of 173% (year-end 2015: 131%), which is in the upper half of our target capital range of 140-180%. Solvency II net capital generation during the period was € 66 million, after the effect of exceptional weather, equivalent to underlying net capital generation of € 99 million. Furthermore, the holding company cash position structurally improved to € 592 million (year-end 2015: € -319 million), supported by strong cash remittances from our businesses.

We continue to focus on securing our capital position, including the implementation of a Partial Internal Model (PIM). The project is on track, with an experienced and dedicated team preparing to introduce the PIM in 2018.

Risk management is a crucial element of the Solvency II regime and we have tightened our governance procedures considerably and implemented a new risk organisation.

In March, we entered into a strategic partnership with Fubon Financial Holding and look forward to a long-term mutually beneficial relationship with our Taiwanese investor. Under the agreement, we support Fubon's intention to acquire further ordinary shares in the open market subject to applicable laws and regulations. Should Fubon's share ownership reach 15%, we will nominate a Fubon representative for appointment to our Supervisory Board. We are exploring opportunities to cooperate in areas such as asset management, reinsurance agreements and knowledge sharing.

Executive Board

Clifford Abrahams was appointed to the Executive Board on 16 March 2016. He had already assumed his duties as Chief Financial Officer on 1 January 2016. Executive Board member Onno Verstegen left the company to pursue his career elsewhere from 1 February 2016. Leon van Riet, Managing Director of Delta Lloyd Leven, was appointed to the Executive Board at the General Meeting of Shareholders on 19 May 2016.

Supervisory Board

Also at the General Meeting of Shareholders on 19 May 2016, John Lister and Paul Nijhof were appointed to the Supervisory Board of Delta Lloyd. John Lister has extensive risk and insurance experience, while Paul Nijhof brings expertise in online, e-commerce, digital marketing and big data.

Commercial developments

In addition to strengthening our capital position, our management priorities for 2016 are to further improve our business performance and be the preferred insurer for our customers and business partners. While our businesses are solid, operational performance needs further improvement. In General Insurance, we had a € 44 million impact on claims due to the exceptional rain and hailstorm in the south of the Netherlands at the end of June. Nonetheless, our underlying COR of 99.1% was disappointing. We are taking action to improve profitability in General Insurance, by reducing costs, adjusting prices and exiting unprofitable market segments. In Life, our distribution is strong and we are progressing with the shift from DB to capital light DC products, but DC margins need to improve. It is essential that we continue to build profitable volume on an efficient platform.

For the benefit of our customers we made further steps in online services. Nearly 400,000 Delta Lloyd customers now have registered for online access to their personal product information. For our OHRA customers we introduced claims handling via WhatsApp. We started customer service via WhatsApp for Delta Lloyd customers, which will also be rolled out to financial advisors. The introduction and licensing of the general pension fund (APF) is taking somewhat more time than we anticipated. However, we are positive about its prospects and there is clear interest from potential clients for this new pension offering.

Delta Lloyd shares

On 30 June 2016, Delta Lloyd had 455,287,153 ordinary shares issued and outstanding (free float). This includes the 227,567,239 ordinary shares outstanding on 31 December 2015 and the 227,567,943 new ordinary shares issued in March. The shares are listed on the AMX mid-cap index on Euronext Amsterdam and on Euronext Brussels. We are also listed on the Dow Jones Sustainability Index (DJSI) World and DJSI Europe. Delta Lloyd's shares closed at € 3.18 on 30 June (31 December 2015: € 4.07)

1.3 Capital

Standard Formula solvency ratio

At 30 June 2016, the Solvency II Standard Formula (SF) solvency ratio equalled 173% (year-end 2015: 131%). This is in the upper half of our target capital range, reflecting the successful rights issue and the impact of management actions.

More specifically, the rights issue increased the SF solvency ratio with around 27pp and the completed programme of management actions positively impacted the SF solvency ratio with around 20pp. Completed management actions include reduced equity, currency and credit spread exposures, treasury restructuring, the sale of our shareholding in Van Lanschot, and modelling enhancements in Belgium.

Net capital generation delivered an increase of around 2pp, or € 66 million, after the impact of exceptional weather of € 33 million. The run off regarding the equity transitionals resulted in a decrease of around 3pp in the first half, alongside the interim dividend with a 2pp reduction. During the period, market movements had a modest overall impact on the SF solvency ratio with adverse movements experienced during the first quarter largely reversed by positive movements in the second quarter.

Market movements during the second quarter mainly consisted of an increase in the market value of our fixed income portfolio, following decreased spreads on AAA and AA rated sovereign bonds, relating to the 'safe haven' effect following the Brexit referendum. Market movements during July, which included a further decrease in the volatility adjustment and increasing sovereign bond spreads, are expected to partly reverse the 'safe haven' credit spread movements observed in the second quarter of 2016. We are continuing to work with our reinsurance partners in respect of the possible restructuring of our longevity hedge to safeguard and further optimise its capital benefits. The sensitivity of our capital position to movements in financial markets was reduced during the period reflecting, in particular, our programme of equity, currency and credit derisking and reduced non-eligible capital. However, our capital position would be adversely impacted in the event of a reduced UFR pursuant to EIOPA's pending review. We will continue to focus on the level and resilience of our capital position, given ongoing volatile market conditions and regulatory developments.

Net capital generation

Solvency II net capital generation was € 66 million, after the impact of exceptional weather of € 33 million, which is equivalent to underlying net capital generation of € 99 million.

We are committed to delivering on our target of net capital generation of € 200-250 million per year. We expect our net capital generation going forward to be adversely impacted by ongoing low interest rates as well as the effect of our derisking programme. We are focused on building further net capital generation through continued cost reduction, refined strategic asset allocation and improved business performance. Our investment strategy is focussed on optimising the expected return of the portfolio, while maintaining an appropriate risk profile. An example of this is the purchase of a € 500 million portfolio of Dutch residential mortgages from Rabobank in July, which complements Delta Lloyd's own origination of mortgages.

Capital position Bank

At half year, the bank's CET 1 ratio was 12.9% (half-year 2015: 14.4%). In the second half we plan to increase CET 1 capital at the bank, reflecting increasing regulatory requirements. Capital actions are expected to include converting the bank's existing internal subordinated debt to equity, a capital injection from the Holding of up to € 10 million and further optimising mortgage risk weighted assets and improving profitability. In the medium term, we expect the bank to return to paying a dividend.

Holding company cash

Holding company cash increased to € 592 million (year-end 2015: € -319 million), largely reflecting the proceeds from the rights issue as well as the redemption of a subordinated loan of former Bank Belgium, and the proceeds of the sales of Van Lanschot and Private Equity, combined with good cash remittances from our businesses.

Delta Lloyd has put in place a € 600 million Revolving Credit Facility ('RCF'). It is a five year standby facility and will increase our financing flexibility.

S&P rating

On 23 March 2016, Standard & Poor's affirmed the 'A-'rating on Delta Lloyd Levensverzekering NV and Delta Lloyd Schadeverzekering NV. The rating on Delta Lloyd NV was affirmed at BBB and the rating on Delta Lloyd Treasury BV was lowered to BBB from BBB+. The S&P rating outlook for each of these ratings is negative.

1.4 Transition to Solvency II metrics

The introduction of Solvency II in 2016 required all insurers, also Delta Lloyd, to evolve our reporting metrics to align with Solvency II requirements. This involved the introduction of important new metrics, refining existing metrics and some changes to our approach to IFRS reporting.

Given our focus on the active management of the group's capital, we have developed a new key performance indicator – Solvency II net capital generation.

Net capital generation is the Solvency II surplus movement in the period as calculated based on a number of assumptions and reflecting expected investment returns on existing business, contribution of new business after strain, release of required capital and risk margin, the effect of amortisation of UFR benefit and the technical result of non life businesses, all expressed after tax. It excludes economic variances, non-operational items, impact of transitionals, surplus relating to other financial entities and specified management actions.

The change to Solvency II had an impact on the value of new business (VNB) together with respective volumes and margins. In 2016 Delta Lloyd will report VNB on both old and new regimes in order to provide clarity on key trends. The old regime was applicable up to and including 2015 and the new regime applies as of 2016.

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

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

Following our periodic review on the valuation of liabilities under IFRS, we have adopted the Solvency II curve as our IFRS discount curve, which gives a better and more stable market representation than the Collateralised AAA curve did. We also reviewed other valuation differences between the IFRS and Solvency II balance sheets. As a result, we refined the calculation methodology of the longevity provision to align with the expected cash flow profile used under Solvency II as opposed to scaling the tariff provision.

In the second half of the year, we plan to finalise our work on the IFRS operating result approach, in order to align the IFRS investment spread with the expected return approach under Solvency II net capital generation.

1.5 Financial performance

Our gross operational result decreased to € 320 million (half-year 2015: € 527 million), impacted by a lower mortality result and the exceptional weather in the south of the Netherlands in June. The lower investment spread of € 295 million (half-year 2015: € 402 million) reflected equity derisking and higher required interest reflecting interest rates at the beginning of the relevant period.

The net IFRS result was € 925 million (half-year 2015: € -533 million), which included the effect of adopting a new IFRS discount curve. Shareholders' funds increased by 48% to € 3.8 billion (year-end 2015: € 2.6 billion). This was mainly due to the positive net IFRS result and the rights issue, offset by higher liabilities of Delta Lloyd's own pension fund due to lower interest rates.

Market volatility amounted to € 1,117 million, reflecting a positive credit spread (or 'safe haven') effect of c.€ 658 million following the result of the Brexit referendum and an asset value impact of around € 369 million on own pension assets. The total impact of changes in the IFRS discount curve (€ 326 million) reflected the new approach as well as market movements. Furthermore, we refined the calculation methodology of the longevity provision (impact € -331 million).

Delta Lloyd operates defined benefit pension arrangements on behalf of its current and former employees. The principal scheme in the Netherlands is well funded and with investments broadly matching its long term liabilities. As a consequence, the increase in actuarial liabilities during the period, reflecting lower interest rates and credit spreads, were offset by increased values of own pensions assets and the scheme remains well funded.

In the first half of 2016, operational expenses amounted to € 299 million (half-year 2015: € 312 million), which is in line with the target of € 610 million set for 2016. Non-operational expenses of € 54 million (half-year 2015: € 67 million) included costs relating to our work on the PIM and the sale of our shareholding in Van Lanschot. In 2015, non-operational expenses were negatively impacted by the DNB fine.

1.6 Segments

Life

At half-year, Solvency II Life value new business (SII VNB) was € 20 million. This included a corrected SII VNB for the first quarter of € 14 million, while the SII VNB for the second quarter was € 6 million. The first quarter SII VNB figure was corrected due to model adjustments. Taking into account a capital strain of € 26 million, the impact on net capital generation was € -6 million during the period.

SII NBM was 1.8%, reflecting low profitability of DC pensions in the Netherlands and strong margins on protection business in Belgium. We are taking measures to improve the value of new business and corresponding margins, which include, optimising pricing, business mix and cost efficiency within the Life business.

In the first half of 2016, SII NAPI decreased by 10% to € 267 million (half-year 2015: € 296 million). In the Netherlands, we are a top three insurer in group pensions (based on GWP), which reflects our distribution power, and we remain market leader in new DC pensions. The pension market for new business contracts contracted this year, as no new pension legislation was introduced, but our market share for new business remained intact. SII NAPI for DC decreased by -11%. SII NAPI for DB products remained stable compared to the previous year, reflecting the impact of renewals. Clients mostly choose to continue their DB contract for a one year period and at an adequate level of profitability. The majority of the DB renewals are transferred to a DC or PPI scheme. In Belgium, SII NAPI decreased by 3%, impacted by our lowering the guaranteed interest rates.

The gross operational result decreased by 27% to € 347 million (half-year 2015: € 475 million) due to a lower mortality result and a significantly lower investment spread. The lower investment spread reflected equity derisking and the effect of higher required interest.

Net capital generation equalled € 123 million, which primarily reflected the expected return on the asset portfolio and the run-off of both the required capital and risk margin.

We made steps in improving our online services for the benefit of our customers, such as the roll out of ‘my Delta Lloyd’. In the first half year, Delta Lloyd was again ranked as the number one pension insurer by independent financial advisors. We applied for a license for a general pension fund (APF) in January 2016. We are well prepared to service our clients as soon as we receive this licence, which we expect later this year. Pension funds, employers and financial advisors have shown clear interest in this new pension offering.

General Insurance

The combined ratio (COR) increased to 105.9% (half-year 2015: 96.8%). The COR in Income protection improved by 7.7pp to 78.6%, reflecting positive prior year claims development. The COR in Property and casualty, rose 12.3pp to 111.3%, reflecting a number of large fire claims and claims due to the exceptional rain and hailstorm that hit the south of the Netherlands in June.

We supported customers hit by this exceptional weather, through extra staff, site visits, personal attention and brought in additional repair capacity, particularly when it concerned agricultural businesses and cars. The exceptional weather claims had a financial impact of € 44 million, equivalent to 6.8pp on the overall COR of 105.9%. The underlying COR, adjusted for the exceptional weather impact, was 99.1% in the first half of 2016. This did not meet our target and was disappointing.

We have completed a review of our product portfolio and, as illustrated on our investor day, we are taking disciplined action to ensure that each general insurance product line delivers an acceptable return. We will do so by reducing costs, adjusting prices and exiting unprofitable market segments. We will also form partnerships in specific areas to achieve further process efficiencies, such as the partnership we entered into with Voogd & Voogd to supply general insurance products. We expect this partnership will have a positive impact on the combined ratio for personal general insurance products in the future.

OHRA launched Clixx, a three-month pilot to test the viability of providing short-term insurance for vehicles customers lend to friends or family. We will use the data collected during the trail to determine the next steps.

Net promoter scores by our customers for GI commercial improved in the first half, reflecting the improvements in customer processes, particularly in digitalisation. The new WhatsApp service is one of the drivers for the continued increase in Net promoter scores for OHRA. ABN Amro Verzekeringen’s personal liability insurance was rated ‘Best tested’ by the Dutch Consumers’ Association (De Consumentenbond).

Delta Lloyd is also the first insurer to enter into an agreement with national network of truck repair shops. The cooperation with FleetRepair means customers with damage claims will benefit from a more efficient service.

The increase in GWP in General Insurance is mainly attributable to acquisition of portfolios through Authorised Agents.

The gross operational result decreased to € -17 million (half-year 2015: € 49 million) due to the effect of the exceptional weather and several large fire claims. The lower investment spread reflected the effects of equity derisking and higher required interest. Net capital generation was € -34 million, after the negative impact of exceptional weather of € 33 million.

Asset Management

In the Asset Management segment, the outflow of third party and institutional funds was € 446 million, reflecting the negative effects of the Morning Star downgrade of the mutual funds and the fine imposed by the AFM in 2015. We increased our focus on institutional rather than retail clients.

Delta Lloyd's total assets under management increased to € 74.3 billion (year-end 2015: € 70.0 billion), due to an increase in fixed income markets. As part of our derisking strategy, we continued the shift in asset allocation from equity to fixed income, mortgages and residential real estate. Gross operational result was down to € 3 million (half-year 2015: € 14 million), due to lower fee and commission income based on a revised agreement between Asset Management and internal clients, derisking and third party outflows. The corresponding net capital generation was € 3 million.

Bank

The production of new mortgages in the first six months nearly doubled to € 617 million (half-year 2015: € 392 million) reflecting strong market conditions. Our market share increased to 2.0% (half-year 2015: 1.6%). The total portfolio of mortgages for the group was up 1% to € 13,419 million. Part of the new mortgage production has been allocated to the life business' balance sheet. In line with our diversified funding strategy, we slightly increased the savings balance to € 3,433 million (year-end 2015: € 3,359 million) driven by an improved commercial offering. In June we securitised a portfolio of national mortgage guarantee scheme (NHG) mortgages, raising € 500 million of new funding at very tight spreads.

There is a continued focus on improving operational efficiency and client satisfaction, also by developing new services such as Instant Payment. This is a service which allows customers to instantly transfer money from their savings account to their bank account at another bank.

Gross operational result decreased by 14% to € 24 million, due to lower net interest income.

There was no Solvency II net capital generation, as the Bank did not pay a dividend to the holding during the period, reflecting a planned increase in CET 1 capital due to regulatory requirements.

Corporate and Other Activities

The Corporate and Other Activities segment mainly consists of holding company overheads, interest expenses, treasury and the commercial result of the health insurance activities. The gross operational result improved to € -38 million (half-year 2015: € -40 million), reflecting lower expenses and a higher contribution from the health insurance activities.

Net capital generation of Corporate and Other Activities was € -26 million.

1.7 Our employees

Delta Lloyd employs 4,019 permanent staff (FTE) and 571 temporary employees in the Netherlands and Belgium (half-year 2015: 4,257 and 549 respectively). Of these, 477 people are based in Belgium, including 12 temporary staff.

1.8 Delta Lloyd in society

Creating a positive sustainable impact is the basis of our revised corporate strategy. We take a sustainable and responsible approach to doing business in a way that creates long-term value for our shareholders, customers, employees and society as a whole. Our sustainability strategy is based on three pillars: responsible insurance, responsible investments and the activities of the Delta Lloyd Foundation.

As a responsible insurer, Delta Lloyd is the largest insurer of offshore windmills in the Netherlands. As a responsible investor, Delta Lloyd Asset Management was one the first financial institutions to participate in a sustainable shipping loan in January 2016. Prior to investing, Delta Lloyd Asset Management carried out a thorough sustainability assessment of the ship and the impact of its investment on people and the environment.

A coalition of creditors initiated by the Delta Lloyd Foundation, called 'From debt to opportunities', presented an ethical charter to CSR Netherlands in early 2016, in which they set out how they will help their own customers overcome financial difficulties when they fall into debt by treating them fairly, with compassion and providing clear financial information upfront.

When it comes to being open and transparent, Delta Lloyd was ranked second by the Fair Finance Guide Research for transparency about our investments; and in early July, the Dutch Association of Investors for Sustainable Development (VBDO) recognised our good practice in the way we published our total tax contribution.

As the Netherlands' largest boat insurer, Delta Lloyd has a long association with Dutch water sports and we sponsor the national sailing team. In May, we signed a new four-year agreement with the Dutch Water Sports Association (Watersportverbond) to continue our support until the 2020 Olympics in Tokyo.

As part of this we support the nationwide 'Optimist on Tour' event. Children at various locations can try their hand at sailing small Optimist boats, as well as other water sports such as canoeing and supping. The third edition of the tour started on 30 April (national water sports day). Some 22,000 children have participated since 2014.

1.9 Outlook

We have an ongoing commitment to continue building a resilient capital position, including the implementation of a PIM in 2018, given the volatile financial markets and regulatory developments. We are committed to delivering on the targeted Solvency II net capital generation of € 200-250 million per year. Operational cost discipline is essential to improve profitability and our target is to bring costs below € 560 million in 2018. We expect the introduction of the Delta Lloyd APF will contribute to building profitable volume in a sizeable market.

1.10 Dividend

Based on our dividend policy we will pay an interim dividend of € 0.10 per ordinary share. The dividend may be paid entirely in cash or entirely in shares, as the shareholder prefers. Shareholders who do not state a preference will be paid in cash. Delta Lloyd intends to manage the dilutive effect of any stock dividend by repurchasing ordinary shares in the market.

The cash dividend will be charged to retained earnings. When setting the exchange ratio for the stock dividend, Delta Lloyd uses a fraction of a share based on the weighted average closing share price over a period of five consecutive trading days (to take into account the current market price). Shareholders have until 5 September 2016 to opt to receive the dividend in cash or shares.

The number of shares giving entitlement to one new ordinary share (with a nominal value of € 0.20) will be set after 5.30 p.m. CET on 5 September 2016, based on the weighted average closing price on NYSE Euronext Amsterdam in the five trading days from 30 August to 5 September 2016. The dividend will become payable on 8 September 2016.

1.11 Statement of the Executive Board

The Executive Board is responsible for preparing the 2016 interim financial report in accordance with International Financial Reporting Standards as adopted by the European Union and the European Transparency Directive (2004/109/EC) (IFRS).

The Members of the Executive Board hereby declare that, to the best of their knowledge, the interim financial report 2016, prepared in accordance with IAS 34 Interim Financial Reporting, gives a true and fair view of the assets, liabilities, financial position and income statement of Delta Lloyd N.V. and the undertakings included in the consolidation as a whole (collectively Delta Lloyd), and includes a fair review of the information required by Section 5:25(d)(8 and 9) of the Financial Supervision Act (*Wet op het financieel toezicht*).

On 16 August 2016, the Executive Board reviewed and approved the 2016 interim financial report for publication.

Amsterdam, 16 August 2016

Hans van der Noordaa, chairman
Clifford Abrahams
Ingrid de Graaf
Annemarie Mijer
Leon van Riet

2 CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2016

2.1 Consolidated statement of financial position

Consolidated statement of financial position

In millions of euros		30 June 2016	31 December 2015
Goodwill		269.2	269.2
AVIF and other intangible assets		87.1	90.9
Deferred acquisition costs		131.2	109.9
Property and equipment		55.0	55.1
Investment property		1,092.4	1,052.2
Associates and joint ventures	4	43.1	278.9
Deferred tax assets		261.7	478.4
Debt securities	5	31,985.5	28,342.1
Equity securities	5	1,384.7	2,169.3
Derivatives	5	2,912.8	1,675.9
Loans at fair value through profit or loss	5	5,149.0	5,235.9
Loans and receivables at amortised cost	5	11,417.8	10,676.9
Investments at policyholders' risk	6	15,272.4	14,604.0
Third party interests in consolidated investment funds		2,634.1	3,371.2
Reinsurance assets		566.3	562.1
Receivables and other financial assets		1,012.4	1,376.8
Current tax assets		48.5	47.8
Accrued interest and prepayments		494.1	539.0
Cash and cash equivalents		5,362.5	2,503.4
Assets held for sale	3	115.3	29.2
Total assets		**80,295.0**	**73,468.2**
Total capital and reserves		3,793.5	2,568.9
Non-controlling interests		202.3	253.8
Total shareholders' funds		3,995.8	2,822.6
Insurance liabilities	8	49,225.4	45,789.9
Liabilities for investment contracts	9	6,824.8	6,304.5
Pension obligations	10	2,936.0	2,501.6
Provisions for other liabilities		45.1	58.6
Deferred tax liabilities		41.4	35.8
Current tax liabilities		54.6	63.8
Subordinated debt		1,355.2	1,352.4
Securitised mortgages loan notes		2,594.9	2,223.2
Other borrowings		746.0	740.5
Derivatives	5	1,086.6	991.9
Investments at policyholders' risk	6	2.8	21.7
Third party interests in consolidated investment funds		2,634.1	3,371.2
Customer savings and deposits	11	6,745.8	5,063.0
Other financial liabilities	11	279.2	122.8
Other liabilities		1,727.3	2,004.6
Total liabilities		76,299.2	70,645.5
Total shareholders' funds and liabilities		**80,295.0**	**73,468.2**

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 consolidated financial statements'.

2.2 Consolidated income statement

Consolidated income statement for the first half

In millions of euros		2016	2015
Gross written premiums		2,157.8	2,264.8
Outward reinsurance premiums		-92.5	-99.4
Net written premiums		2,065.3	2,165.4
Change in unearned premiums provision		-109.5	-85.7
Net premiums earned		1,955.8	2,079.7
Investment income		5,737.6	472.7
Share of profit or loss after tax of associates		-3.7	33.3
Net investment income		5,733.8	506.0
Fee and commission income		129.8	137.3
Other income		0.8	5.4
Total investment and other income		5,864.5	648.7
Total income		**7,820.3**	**2,728.4**
Net claims and benefits paid		1,923.1	1,991.2
Change in insurance liabilities		3,713.0	19.6
Charge to financial liability on behalf of third party interest in consolidated investment funds		185.9	397.1
Expenses relating to the acquisition of insurance, investment and other contracts		291.4	292.9
Finance costs		163.1	191.3
Other operating expenses		247.9	555.0
Total expenses		**6,524.4**	**3,447.1**
Result before tax from continuing operations	2	**1,295.9**	**-718.7**
Income tax		343.0	-187.6
Result after tax from discontinued operations		-	5.4
Net result		**952.9**	**-525.7**
Attributable to:			
Delta Lloyd NV shareholders		925.5	-532.7
Non-controlling interests		27.4	7.0

Earnings per share for the first half

In euros	2016	2015*
Basic earnings per share from continuing operations	2.62	-1.98
Basic earnings per share from discontinued operations	0.00	0.02
Basic earnings per share including discontinued operations	**2.62**	**-1.96**
Diluted earnings per ordinary share from continuing operations	2.55	-1.98
Diluted earnings per ordinary share from discontinued operations	0.00	0.02
Diluted earnings per ordinary share including discontinued operations	**2.55**	**-1.96**

* Restated due to the effect of the Rights issue.

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 consolidated financial statements'.

2.3 Consolidated statement of comprehensive income

Consolidated statement of comprehensive income for the first half

In millions of euros	2016	2015
Net result	952.9	-525.7
Fair value adjustments owner-occupied property	-	-0.1
Actuarial gains and losses (pension obligations)	-389.3	143.8
Transfer of actuarial gains and losses relating to DPF contracts to provisions	-	-1.6
Income tax relating to items that will not be reclassified	97.8	-35.6
Total items that will not be reclassified to income statement	-291.5	106.5
Changes in value of financial instruments available for sale*	-46.3	-286.8
Transfer of available for sale relating to DPF contracts to provisions	-	109.8
Fair value adjustments associates**	1.0	14.0
Fair value adjustments due to micro hedge debt securities available for sale	-	20.4
Income tax relating to items that may be reclassified	-0.3	16.8
Total items that may be reclassified subsequently to income statement	-45.6	-125.9
Total amount recognised directly in equity	-337.1	-19.4
Total comprehensive income	**615.8**	**-545.0**
Attributable to:		
Delta Lloyd NV shareholders	597.4	-552.0
Non-controlling interests	18.4	6.9

* Realised gains/losses on revaluations of financial instruments available for sale, impairment losses and reversal of impairment losses transferred to income statement are part of changes in value of financial instruments available for sale. For disclosure on impairment losses and reversal of impairment see section 2.7.2 'Segment information'.

** Including the effect of realised gains and losses reported in the income statement.

The fair value adjustments associates include the effect of the sale of Van Lanschot. See section 2.7.4 'Associates' for more details.

The notes (in numerical order) include the accounting policies and are an integral part of these financial statements.

2.4 Consolidated statement of changes in shareholders’ funds

Consolidated statement of changes in shareholders' fund for the first half

In millions of euros	Ordinary share capital	Share premium	Revaluation reserves	Other reserves	Equity compensation plan	Treasury shares	Retained earnings	Total capital and reserves *	Non-controlling interests	Shareholders' funds
At 1 January 2015	39.9	505.9	534.1	-622.8	6.4	-17.2	2,022.1	2,468.4	277.9	2,746.2
Total other comprehensive income	-	-	-125.9	106.6	-	-	-	-19.3	-0.1	-19.4
Result for the period	-	-	-	-	-	-	-532.7	-532.7	7.0	-525.7
Final dividend payment 2014	0.9	-1.0	-	-	-	-	-62.7	-62.8	-	-62.8
Non-controlling interests in dividend payment 2015	-	-	-	-	-	-	-	-	-25.0	-25.0
Issue share capital	4.0	333.1	-	-	-	-	-	337.1	-	337.1
Change treasury shares	-	-	-	-	-	2.0	-	2.0	-	2.0
Conditional shares granted	-	-	-	-	-3.0	-	0.5	-2.4	-	-2.4
Reclassification between equity classes	-	-	-1.0	1.0	-	-	-	-	-	-
At 30 June 2015	**44.8**	**838.0**	**407.2**	**-515.2**	**3.5**	**-15.2**	**1,427.2**	**2,190.3**	**259.8**	**2,450.1**
At 1 January 2016	45.7	837.1	181.8	-526.6	5.5	-14.8	2,040.3	2,568.9	253.8	2,822.6
Total other comprehensive income	-	-	-36.6	-291.5	-	-	-	-328.1	-9.0	-337.1
Result for the period	-	-	-	-	-	-	925.5	925.5	27.4	952.9
Final dividend payment 2015	-	-	-	-	-	-	-	-	-	-
Non-controlling interests in dividend payment 2016	-	-	-	-	-	-	-	-	-69.9	-69.9
Issue share capital	45.5	583.3	-	-	-	-	-	628.8	-	628.8
Change treasury shares	-	-	-	-	-	2.1	-	2.1	-	2.1
Conditional shares granted	-	-	-	-	-3.0	-	-0.7	-3.7	-	-3.7
Reclassification between equity classes	-	-	-2.7	-	-	-	2.7	-	-	-
At 30 June 2016	**91.2**	**1,420.3**	**142.5**	**-818.1**	**2.5**	**-12.7**	**2,967.8**	**3,793.5**	**202.3**	**3,995.8**

*Attributable to Delta Lloyd NV shareholders.

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

The other reserves include the actuarial gains and losses for pensions.

Delta Lloyd issued 227,567,943 new ordinary shares on 8 April 2016, priced at € 2.85 each. This resulted in an increase in equity of € 628.8 million, after deducting costs (€ 19.8 million net of tax). See section 2.7.7 ‘Share capital’ for more details.

Treasury shares were acquired as part of a share repurchase programme with the sole purpose of meeting obligations under the equity compensation plans for management. Since 2015, part of the base salary of the Executive Board members has also been paid in the form of shares. As at 30 June 2016, there were 895,402 shares (2015: 1,047,373 shares) held for these purposes acquired at an average purchase price of € 14.13.

The equity compensation plan refers to the share-based and performance-related incentive plans. The movement consists of a settlement of € 1.8 million and a release of € 2.6 million, since almost no variable remuneration was awarded for 2015. Grants of new options amounted to € 1.3 million. Options settled at a different rate than initially granted resulted in a movement of € -0.7 million in retained earnings.

Additional shares or options were or will be granted in relation to the outstanding (phantom) shares and phantom options in respect of the long term variable incentive plan to compensate participants of the share-based incentive plans for the decrease in value due to the rights issue. The additional shares and options compensate for the decrease in value, due to the rights issue, of the outstanding shares which were conditionally granted to the participants before the rights issue but will vest after the rights issue. The increase in the number of shares is in accordance with the terms and conditions of the plan. Consequently 99,926 conditional shares were granted for the equity settled plan and 27,407 conditional phantom shares for the cash settled plan. Additional phantom options will be granted later this year. In addition, the exercise price of the 2009 phantom options was adjusted from € 13.63 to € 10.04. Due to these additionally granted (phantom) shares, the total fair value of these (phantom) shares immediately after the rights issue did not change compared to the total fair value immediately before the rights issue.

The notes (in numerical order) include the accounting policies and are an integral part of these financial statements.

2.5 Consolidated cash flow statement

Consolidated cashflow statement for the first half

In millions of euros	2016	2015*
Net result		
Net result	952.9	-525.7
Of which result from discontinued operations	-	5.4
Adjustments for:		
Income tax expense	343.0	-186.9
Depreciation, amortisation, impairments and revaluation of items not at fair value	190.3	230.0
Unrealised gains and losses	-4,267.1	1,825.7
Change in provisions for insurance and investment contracts net of reinsurance	3,951.5	143.3
Change in liability for third party interests in consolidated investments funds	-650.1	-199.4
Share of profit or loss and other non-cash items from associates and joint ventures	10.6	-31.9
Cash generating profit for the year	531.2	1,255.2
Net (increase) / decrease in investment property	-3.4	98.2
Net increase / (decrease) in other financial liabilities	304.5	-728.2
Net (increase) / decrease in intangible assets	0.0	-2.8
Income taxes (paid) / received	-11.1	-31.6
Net (increase) / decrease in other operating assets and liabilities	16.5	-165.5
Net cash flow from operating activities, including discontinued operations	837.6	425.3
Of which cash flow from operating activities of discontinued operations	-	-21.4
Cash flow from investing activities		
Purchase of intangible assets	-3.4	-
Net (increase) / decrease in debt securities	-908.1	-1,227.1
Net (increase) / decrease in equity securities	682.9	763.5
Net (increase) / decrease in derivatives	-2.3	-146.5
Net (increase) / decrease in investments at policyholders' risk	-459.3	-373.5
Net (increase) / decrease in third party interest in investment funds	676.3	155.0
Net (increase) / decrease in loans and other financial assets	-640.7	787.4
Net increase / (decrease) in cash collateral received	1,460.4	-316.2
Purchases of property and equipment	-4.6	-9.1
Proceeds from sale of property and equipment	1.0	0.2
Dividends received from associates	5.6	4.9
Disposal of and capital withdrawal associates	220.5	29.3
Net cash flow from investing activities, including discontinued operations	1,028.3	-332.0
Of which cash flow from investing activities of discontinued operations	-	187.2

Consolidated cashflow statement for the first half

In millions of euros	2016	2015*
Cash flow from financing activities		
Proceeds from borrowings	539.4	293.7
Repayment of borrowings	-159.1	-485.2
Issue of share capital	628.8	337.1
Dividends paid to shareholders	-	-62.8
Dividends paid to non-controlling interests	-69.9	-25.0
Net cash flow from financing activities, including discontinued operations	939.3	57.9
Of which cash flow from financing activities of discontinued operations	-	-
Net (decrease) / increase in cash and cash equivalent, including discontinued operations	**2,805.1**	**151.2**
Of which net (increase / decrease) in cash and cash equivalent of discontinued operations	-	165.8
Statement of changes in cash and cash equivalents		
Cash and cash equivalents at beginning of year	2,635.3	3,135.5
Net (decrease) / increase in cash and cash equivalents	2,805.1	151.2
Total cash and cash equivalents at 30 June	**5,440.4**	**3,286.7**
Consolidated statement of financial position, own risk	5,362.5	2,528.6
Assets held for sale, own risk	-	568.8
Risk reward policyholder and third party investment funds	77.8	189.3
Total cash and cash equivalents at 30 June	**5,440.4**	**3,286.7**
Further details on cash flow from operating activities		
Interest paid	148.3	160.8
Interest received	913.8	984.8
Dividends received	115.2	166.7

*A separate line item was included to reflect the movements in collateral received. Comparative figures have been adjusted accordingly.

The cash flow statement is presented before held for sale. To present the financial effect of the discontinued operations in 2015, the cash flows from discontinued operations are disclosed separately.

Included in the cash position is an amount of € 3,114.9 million received as cash collateral (first half of 2015: € 1,472.4 million). The related obligation is presented in the financial liabilities.

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

2.6 Summary of accounting policies

Delta Lloyd NV is a public limited liability company ('naamloze vennootschap') incorporated and headquartered in the Netherlands. The company's registered address is Amstelplein 6, 1096 BC Amsterdam. With its subsidiaries (collectively, Delta Lloyd) it provides life and pension insurance, long-term savings products, most classes of general insurance, banking activities and asset management. These activities are carried out through subsidiaries and associates in the Netherlands and Belgium.

2.6.1 Accounting policies

Delta Lloyd's condensed consolidated interim financial report for the period ended 30 June 2016 is prepared in accordance with IAS 34 'Interim Financial Reporting' issued by the International Accounting Standards Board (IASB) and adopted by the European Union. Delta Lloyd has used the EU carve-out on hedge accounting for its banking activities in the Netherlands since 1 May 2015, while Delta Lloyd's residential mortgage warehouse Amstelhuys has used it since 1 January 2016. The condensed consolidated interim financial report does not include all the information required for full financial statements and should therefore be read in conjunction with Delta Lloyd's 2015 financial statements. The condensed consolidated interim financial report is unaudited but has been reviewed by the auditor.

All accounting policies and methods of computation applied to the condensed consolidated interim financial report for the period ended 30 June 2016 are the same as those applied in the 2015 consolidated financial statements of Delta Lloyd (see: www.deltalloyd.com/annualreport/). The following standards, amendments and improvements, which are mandatory and have been applied since 1 January 2016, have no impact on the accounting policies, result or shareholders' funds of Delta Lloyd:

- Amendments to IFRS 11 'Accounting for acquisitions of interest in joint operations';
- Amendments to IAS 16 and 38 'Clarification of acceptable methods of depreciation and amortisation';
- Amendments to IAS 1 'Disclosure initiative';
- Amendments to IAS 27 'Equity method in separate financial statements';
- Annual improvements 2012 – 2014.

There were no endorsements by the EU during the first half of 2016. Therefore, the following mandatory standard and amendments from 1 January 2016 have not been applied:

- IFRS 14 'Regulatory deferral accounts';
- Amendments to IFRS 10, IFRS 12 and IAS 28 'Investment entities: Applying the consolidation exception'.

During the first half of 2016, the IASB published the following amendments and clarifications:

- Amendments to IAS 12 'Recognition of Deferred Tax Assets for unrealised losses' (mandatory 1 January 2017);
- Amendments to IAS 7 'Disclosure initiative' (mandatory from 1 January 2017);
- Clarifications to IFRS 15 'Revenue from Contracts with Customers' (mandatory from 1 January 2018).

One significant upcoming standard for Delta Lloyd is IFRS 9 'Financial Instruments' (IASB effective date 1 January 2018). Delta Lloyd is currently assessing the impact of the new requirements under IFRS 9.

In December 2015, the IASB issued the exposure draft that proposed the temporary exemption and the overlay approach to address concerns about implementing IFRS 9 'Financial Instruments' before the forthcoming insurance contracts standard (IFRS 4 phase II) comes into effect. The IASB has been redeliberating the proposals in the exposure draft throughout 2016 in light of the feedback received in comment letters and other outreach that it performed. At the May 2016 meeting, the IASB concluded redeliberations on the proposed amendments to IFRS 4 'Insurance Contracts' to allow entities issuing contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 together with IFRS 4 before the new insurance contracts standard (IFRS 4 Phase II) becomes effective. The IASB also made additional tentative decisions on the temporary exemption and the overlay approach, and gave staff permission to prepare a draft ballot of the final amendments, which are expected to be issued in the second half of 2016. Delta Lloyd is investigating whether to use the temporary exemption or overlay approach regarding IFRS 9.

All amounts are in millions of euros unless stated otherwise. Calculations in the tables are made using unrounded figures. As a result, rounding differences can occur.

2.6.2 Use of assumptions and estimates

Preparing financial statements requires Delta Lloyd to make estimates and assumptions that affect items reported in the consolidated statement of financial position and income statement and the disclosure of contingent assets and liabilities at the date of the financial statements. This particularly concerns estimates and assumptions used to establish insurance contract provisions (including longevity risk), determine the fair value of assets and liabilities (see section 2.7.14 'Fair value of assets and liabilities'), establish impairment (e.g. regarding goodwill, debt securities and equity securities and loans and receivables), employee benefits and deferred acquisition costs. These estimates and assumptions 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. Interim results are not necessarily indicative for full-year results.

Interest rate curve

Each reporting period Delta Lloyd assesses whether the applied Collateralised AAA curve, including an Ultimate Forward Rate (UFR), is representative as a current market interest rate curve for the valuation of insurance liabilities under IFRS. Delta Lloyd's assessment showed that the collateralised curve no longer provides the best possible representation of current market interest rates under IFRS and that a better representation is available.

As of 30 June 2016, Delta Lloyd uses a curve ('IFRS discount 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 new basis curve is the EUR swap curve which has a broader spectrum of liquid maturities available in the market and spreads that are more stable compared to the collateralised AAA rates. Interpolation is applicable for maturities for which no interest rate is provided up to the last liquid point (LLP). The next table shows the differences per building block of the previously used Collateralised AAA curve and our currently used new IFRS discount curve.

Building blocks	Collateralised AAA curve	New IFRS discount curve
Basis	Maximum of DNB swap curve and collateralised AAA curve	EUR swap curve
Last Liquid Point (LLP)	20 years	20 years
Interpolation	Combination of UBS fitting technique and constant forward rate	Smith-Wilson
Credit risk adjustment (deduction)	N/A due to insignificant credit risk in collateralised AAA curve	Corridor of 10 - 35 bps (determined by EIOPA on a monthly basis)
Liquidity risk spread (increase)	Implicitly: maximum (collateralised AAA -/- DNB swap rate; 0)	Volatility adjustment (VA) (determined by EIOPA on a monthly basis)
Extrapolation	Smith-Wilson with an UFR of 4.2% Convergence tolerance of 3 bps Convergence period of 40 years after LLP	Smith-Wilson with an UFR of 4.2% Convergence tolerance of 1 bps Convergence period of 40 years after LLP

The European Insurance and Occupational Pensions Authority (EIOPA) publishes the SII curve on a monthly basis. Delta Lloyd 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.

Each reporting period Delta Lloyd assesses whether the applied curve is representative as a current market interest rate curve for the valuation of insurance liabilities. Delta Lloyd also assesses each reporting period whether the long end of the curve can be derived from sufficient relevant observable market inputs. If that is the case, then Delta Lloyd will cease to apply the UFR extrapolation method. If no sufficient relevant observable market inputs are available, Delta Lloyd will continue to estimate current market interest rate using the described UFR extrapolation approach while reassessing the parameters used.

This curve adjustment creates a more stable and robust basis for the calculation of current market interest rates. The introduction of our new IFRS discount curve had a positive effect on the reported result for the first half year of 2016 of € 416.1 million after tax (hence on shareholders' funds).

As a result of the introduction of the new method for determining the IFRS curve, Delta Lloyd re-evaluated, and is in the process of updating, the methodology for estimating the risk margin for unhedgeable financial risks in the LAT.

Longevity provision

Delta Lloyd refined its calculation for the longevity provision. The previous method, which incorporated scaling of reserves, was no longer sustainable due to the ongoing low interest rates. In the refined method the cash flows are discounted against the interest rate associated with the duration of that cash flow instead of using an approximation based on a ratio (scaling of reserves). The change in estimation method had a negative effect on the reported result for the first half year of 2016 of € 247.9 million after tax (hence on shareholders' funds).

2.7 Notes to the consolidated financial statements

2.7.1 Risk management

Financial market development

Although there was moderate economic growth in Europe in the first half of 2016, European stock markets (MSCI Europe Index) lost about 11% in the first half. The European unemployment rate is slowly declining, but it is still high in some southern European countries.

Brexit

In June, the UK voted to leave the European Union (EU), with uncertainty around the referendum in the months before the actual vote creating a lot of volatility on the financial markets. This led to an increased demand for good quality fixed income instruments combined with declines in equity prices.

Quantitative easing

The European Central Bank (ECB) announced an extension to its the quantitative-easing (QE) programme in March, saying it would increase the amount it will purchase by € 20 billion a month. Furthermore, the central bank will buy non-financial investment grade corporate bonds. The ECB is buying those securities in a bid to boost economic recovery in the euro zone.

The increased demand for these bonds has led to very volatile interest rates, with rates falling substantially in the first half of 2016. Annual inflation in the euro zone stood at 0.1% in June. Despite quantitative easing, inflation still shows little sign of reaching its official target of 2%.

Sustained low interest yield environment

The challenges faced by insurance companies operating in a low-yield environment include lower reinvestment return on their fixed income portfolio and a lower discount rate used for liabilities, resulting in higher net present values. Although the benefits of insurance have not changed, this may mean insurance products become less attractive. As a result, there is a visible shift in the market from defined benefit to defined contribution products. The lower reinvestment yield leads to higher premiums for customers and a higher cost of guaranteed products. Lower yields also lead to pressure on margins and consequently on solvency levels. To deal properly with this pressure, Delta Lloyd looks critically at its interest rate profile, regularly reviews its asset mix to achieve an optimal balance between yield and risk, and uses scenario analyses to identify the long-term effects of persistent low interest rates.

Risk management at Delta Lloyd

Solvency II

Solvency II is the new regulatory framework for insurance companies operating in the European Union. It became effective on 1 January 2016. Solvency I ratios are therefore no longer applicable.

Under Solvency II, capital requirements depend directly on consistently-measured risk. Solvency II is based on economic principles for measuring assets and liabilities. Although insurance companies have had to make far-reaching and comprehensive preparations for Solvency II, Delta Lloyd supports the principles underlying the new framework. Delta Lloyd applies risk-based elements in asset allocation, asset liability management (ALM), risk management, capital allocation, product pricing and commercial strategy.

In early 2014, European legislators set the implementation date as 1 January 2016. Delta Lloyd established a Solvency II programme to coordinate all activities requiring attention under Solvency II and the preparatory measures for EIOPA (European Insurance and Occupational Pensions Authority). The project is currently focused on the reporting requirements for Pillar 3. In 2015, all Dutch insurance companies were required to submit Solvency II reports (quantitative reporting templates, QRT) to the Dutch central bank DNB, at reporting dates 31 December 2014, 30 June 2015 and 30 September 2015. The 31 December 2014 reports of the solo entities were submitted in June 2015, and Delta Lloyd’s report was submitted in July 2015. The second and third quarter 2015 reports have been submitted as well. The report of 31 December 2015 (“Day One”) was submitted in May 2016 for Delta Lloyd’s insurance entities and in June for the group. The first quarterly QRT over Q1 2016 was submitted in July 2016.

In the first half of 2015, Delta Lloyd observed volatility in its solvency ratio, which was caused predominantly by model adjustments, due to remaining uncertainties in the partial internal model. After a thorough analysis ordered by the Executive Board and discussions with DNB, Delta Lloyd determined that it was necessary to recalibrate certain assumptions, such as assumptions relating to operational risk and mortgage valuation, and change from a full to a partial internal model. The Executive Board conducted a full review of the partial internal model in the third quarter of 2015. This review concluded that the partial internal model needed further improvement. As Delta Lloyd believes that a partial internal model better reflects the risks than the Standard Formula, it will continue to update and test the partial internal model. After satisfactory test results and in consultation with the College of Supervisors (consisting of the DNB and NBB), Delta Lloyd plans to implement the partial internal model in 2018 and report accordingly. While Delta Lloyd is working to improve the internal model, Delta Lloyd has to report the regulatory capital numbers based on the more prescriptive Solvency II Standard Formula (SF). As a result of using SF, Delta Lloyd is likely to have higher capital requirements than it would if it used an internal model. Delta Lloyd is of the opinion that it is compliant with the capital requirements under Solvency II as at 30 June 2016, subject to certain uncertainties around the implementation of the Solvency II requirements.

Interest rate risk

Delta Lloyd is subject to interest rate risk because the market value of its assets and liabilities depends mainly on the 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.

Interest rate risk is managed by matching the interest sensitivity and cash flows of assets and liabilities within the Solvency II framework. Although under both IFRS and Solvency II the same curve is used for insurance liabilities, interest rate sensitivity is different. All assets and liabilities are interest rate risk sensitive under Solvency II as they are all valued at market value. Part of the liabilities are valued at amortised costs under IFRS and are therefore not interest rate sensitive. As of 30 June 2016, Delta Lloyd uses the new IFRS discount curve to measure the value of the majority of its insurance provisions. Prior to 30 June 2016, Delta Lloyd used the maximum of the DNB Swap curve and the Collateralised AAA curve. This curve adjustment creates a stable and robust basis for the calculation of current market interest rates and also has operational benefits because insurance liabilities are calculated on the same basis for IFRS and Solvency II. See section 2.6.2 'Use of assumptions and estimates' for more details.

The 10-year point of the Collateralised AAA curve at 30 June 2016 is 0.44%, which compared to year-end 2015 is a decrease of 65 basis points. The 20-year point of the Collateralised AAA curve at 30 June 2016 is 0.90%, which compared to year-end 2015 is a decrease of 82 basis points. The 10-year point of the IFRS discount curve at 30 June 2016 is 0.50% and the 20-year point is 0.96%, which is a decrease of 64 and 78 basis points respectively compared to year-end 2015. The main reason for the decline in both curves is because of a general decrease in interest rates. The IFRS discount curve is constructed using an ultimate forward rate (UFR) for durations of 20 years upwards converging to an UFR of 4.2% over a period of 40 years. Delta Lloyd still considers an UFR of 4.2% suitable for estimating market interest rates at the long end of the curve.

Delta Lloyd's interest rate risk management aims to ensure a stable Solvency II ratio to the maximum extent possible. Interest rate risk is managed by matching the interest rate sensitivity of assets and liabilities, and by cash flow matching. The interest rate risk is controlled by means of fixed income instruments such as bonds and mortgages, as well as derivatives including swaps and swaptions. The unit-linked guarantee is actively hedged in a separate portfolio.

The effect of interest rate movements on an economic basis may differ compared to the effects on a regulatory basis. One important cause for this difference is the UFR. The UFR impacts the interest rate sensitivity of liabilities for maturities beyond 20 year. Because the UFR is only applied to liabilities, those assets and liabilities with a maturity of less than 20 years react differently to the same curve movements. This difference in interest rate risk sensitivity is difficult to manage, and hedging it worsens the cash flow matching or economic hedging. Although Delta Lloyd has accepted this risk in order to maintain cash flow matching, it will continue to closely monitor this risk.

Equity risk

Equity risk is the risk of loss in assets and liabilities as a result of lower market prices or changes in the volatility of equity prices. Most of Delta Lloyd's equity risk is in its investment portfolio, but there is also an equity-related risk originating from guarantees in the unit-linked and GSB liabilities portfolio.

During the first half of 2016 Delta Lloyd reduced its equity risk further by net selling € 0.7 billion leading to an own risk position at 30 June 2016 of € 1.4 billion (year-end 2015: € 2.2 billion). Excluding private equity, preference shares and bond funds, and including equity derivatives, the equity portfolio is € 0.7 billion (year-end 2015: € 1.8 billion).

Apart from the reduction in the own-risk equity position, Delta Lloyd also sold it associate share in Van Lanschot through a marketed share offering. The equity sales are part of Delta Lloyd's capital action plan to reach the target range of the Solvency II ratio this year.

Credit risk

Credit risk consists of default risk, credit spread risk and concentration risk. Default risk is the risk that counterparties are unable or unwilling to meet all or part of their payment obligations. Credit 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

The tables below show Delta Lloyd's total exposure to risks in relation to 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's 'country of risk' methodology and the figures include accrued interest. The risk-reduction effect of credit default swaps is not shown.

Exposure to sovereign and sub-sovereign debt of southern European countries and Ireland amounted to € 2,544.4 million on 30 June 2016, compared to € 2,456.9 million at year-end 2015. Although in general the situation in southern Europe (except for Greece) improved, the situation per country differs significantly and the road to recovery is still long. On 30 June 2016, Delta Lloyd had hedged a nominal value of € 380.5 million (year-end 2015: € 387.8 million) of default risk relating to all fixed-income investments in these countries using credit default swaps. A nominal value of € 25.0 million (year-end 2015: € 25.0 million) is hedged against a default of Italy and € 355.5 million (year-end 2015: € 362.8 million) against a default of Spain. Corporate bonds for Italy (€ 59.8 million) relates to the exposure to Italian banks. The 'Other bonds' column includes collateralised bonds. All amounts are gross, i.e. before adjustment for any collateral received

Position in sovereign, sub-sovereign and other bonds and receivables at 30 June 2016

In millions of euros	Sovereign and sub-sovereign bonds	Corporate bonds (non-financials)	Corporate bonds (financials)	Other bonds	Loans and receivables	Total
Portugal	59.9	40.3	-	54.9	-	155.1
Italy	735.7	110.1	59.8	104.9	-	1,010.5
Ireland	335.4	87.4	13.8	46.7	-	483.4
Greece	-	20.9	-	-	-	20.9
Spain	1,413.4	268.6	116.6	235.9	-	2,034.6
Total	**2,544.4**	**527.3**	**190.3**	**442.4**	**-**	**3,704.5**

Position in sovereign, sub-sovereign and other bonds and receivables at 31 December 2015

In millions of euros	Sovereign and sub-sovereign bonds	Corporate bonds (non-financials)	Corporate bonds (financials)	Other bonds	Loans and receivables	Total
Portugal	68.3	51.3	-	63.1	-	182.9
Italy	690.0	88.8	67.8	161.4	-	1,008.0
Ireland	408.3	85.1	89.3	96.9	-	679.6
Greece	-	28.2	-	-	-	28.2
Spain	1,290.3	250.9	125.9	267.6	-	1,934.7
Total	**2,456.9**	**504.3**	**283.0**	**589.0**	**0.0**	**3,833.3**

With regard to Brexit, Delta Lloyd has an exposure of € 1.0 billion to fixed income instrument in the United Kingdom. This position is partly hedged by the use of credit default swaps with a nominal value of € 135 million. Moreover, the currency risk on these positions is almost fully hedged. As such, the total impact of Brexit on Delta Lloyd's investments is limited.

As a mortgage provider, Delta Lloyd saw stable mortgage arrears in the portfolio and has so far suffered limited losses. The losses on Dutch residential mortgage loans amounted to € 5.6 million in the first half of 2016 (first half of 2015: € 4.1 million). However, adverse economic circumstances could still have substantial consequences for the housing market and for employment. For this reason, Delta Lloyd carefully monitors the development of its Dutch mortgage loan portfolio.

For more detail on forbearance measures see section 2.7.5 'Financial investments own risk'.

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. The tables relate to own risk financial assets.

Financial assets after impairments at 30 June 2016

In millions of euros	Neither past due nor impaired	Financial assets that are past due but not impaired	Financial assets that have been impaired	Total
Debt securities	31,980.5	0.0	4.9	31,985.5
Loans and receivables	16,391.8	111.9	63.1	16,566.8
Receivables and other financial assets	786.4	216.7	9.2	1,012.4

Financial assets after impairments at 31 December 2015

In millions of euros	Neither past due nor impaired	Financial assets that are past due but not impaired	Financial assets that have been impaired	Total
Debt securities	28,328.1	0.3	13.7	28,342.1
Loans and receivables	15,692.1	143.6	77.1	15,912.7
Receivables and other financial assets	1,298.7	71.2	6.9	1,376.8

Maturity of financial assets that are past due but not impaired at 30 June 2016

In millions of euros	Within three months	Between three and six months	Between six months and a year	More than one year	Total
Debt securities	-	-	-	0.0	0.0
Loans and receivables	72.4	15.4	15.3	8.8	111.9
Receivables and other financial assets	130.8	76.1	9.8	-	216.7
Total	**203.2**	**91.5**	**25.2**	**8.8**	**328.6**

Maturity of financial assets that are past due but not impaired at 31 December 2015

In millions of euros	Within three months	Between three and six months	Between six months and a year	More than one year	Total
Debt securities	-	-	-	0.3	0.3
Loans and receivables	94.6	14.5	18.0	16.4	143.6
Receivables and other financial assets	32.6	25.5	13.1	-	71.2
Total	**127.2**	**40.0**	**31.1**	**16.7**	**215.0**

Property Risk

Property risk is the risk of losses due to the lower prices of property investments. Rental income from the residential portfolio offers protection against the long-term inflation risk faced by Delta Lloyd's life insurance business.

Delta Lloyd's real estate portfolio on 30 June 2016 mainly consists of directly owned residential assets, with a focus on the Netherlands, and indirect exposure to real estate through other investments, in non-listed Dutch real estate funds. Apart from the sale of € 28.7 million of indirect exposure, there were no major purchases or sales during the first half of 2016.

Delta Lloyd's property portfolio for own risk was valued at € 1.1 billion at 30 June 2016 (year-end 2015: € 1.1 billion). The portfolio is divided into residential 89% (year-end 2015: 88%), offices 4% (year-end 2015: 4%), retail 0% (year-end 2015: 0%), property occupied by Delta Lloyd 4% (year-end 2015: 5%) and other 3% (year-end 2015: 3%). Of the property portfolio, 89% (year-end 2015: 89%) was allocated to Dutch property and 11% (year-end 2015: 11%) to Belgian property.

The vacancy rate for properties in the Netherlands is 2% (year-end 2015: 2%) for residential, 0% for retail (year-end 2015: 8%) and 31% for offices (year-end 2015: 27%). The vacancy rate for offices is due to the partly vacant Joan Muyskensweg office, which will be developed into to residential units. Vacancy rates for the Dutch property portfolio are calculated by stating rental income foregone as a percentage of total gross rental income.

Longevity risk

Longevity risk is Delta Lloyd’s main insurance risk and an integral part of the product portfolio. Delta Lloyd is exploring extension of the hedges and conversion to indemnify reinsurance, thereby ensuring them to be treated within Solvency II as reinsurance contracts and maintain their risk-mitigating effects in the risk margin.

The Dutch Society of Actuaries is expected to publish its new mortality prognosis in September, which is likely to provide revised estimates for longevity risk.

Liquidity risk

Delta Lloyd’s insurance operations face a limited liquidity risk as there are sufficient liquid investments and inflows of new premiums compared to a stable outflow of payments. Delta Lloyd’s banking business requires liquidity to fund residential mortgages and retail lending and carries a primary responsibility to control its own liquidity risk. A broad range of limits are monitored partly based on regulatory requirements, including the month surplus, the grace period, the liquidity coverage ratio and net stable funding ratio. In addition, the bank has limits for the liquidity buffer as well as various intragroup limits. At half-year 2016, the banking business had a sufficiently large liquidity buffer, principally made up of investments and cash.

Funding risk

Delta Lloyd has successfully syndicated and signed a € 600 million Revolving Credit Facility (RCF). The RCF is a five years standby facility and is intended to increase Delta Lloyd's financing flexibility.

Delta Lloyd’s residential mortgage warehouse Amstelhuys securitised a portfolio of Dutch residential mortgage loans of € 622.6 million under the name of Arena NHG 2016-1 B.V. (Arena 2016). The loans are backed by the Dutch national Mortgage Guarantee Scheme (NHG). Arena 2016 is the third Delta Lloyd transaction in which the interest rate risk is mitigated by an interest rate cap until the first optional redemption date.

Capital positions

As of 1 January 2016, Delta Lloyd reports its capital position under the new Solvency II regulatory framework for insurance companies operating in the EU. Group solvency ratio increased by 42 percentage points to 173% including the impact of proposed interim dividend (year-end 2015: 131%[1]). Compared with year-end 2015, Solvency II available own funds increased by € 1,060.8 million to € 5,099.5 million. The increase in own funds is mainly driven by the successful rights issue and the sale of our stake in Van Lanschot. In addition positive market developments contributed to the increase in available own funds. However this effect is largely offset by an increase in Solvency capital requirements following decreased interest rates in the first half of 2016. Solvency capital requirements declined by € 58.0 million in the first half of 2016 to € 2,943.0 million. The decrease is mainly caused by the completed ALM actions in the first half of 2016, including the de-risking on equity, currency and credit spread exposures. This decline is partly compensated by an increase in solvency capital requirements, following decreased interest rates as well as the run-off on the transitional measure on equity.

[1] The SII ratio per year-end 2015 was not audited by the external auditor.

The total capital ratio of Delta Lloyd Bank is 15.9% and the common equity tier 1 (CET 1) ratio is 12.9% (half-year 2015: 14.4%). The capital ratios are above the minimum regulatory levels based on the year-end requirements. In the second half of the year, we plan to increase the bank's CET 1 capital, anticipating on the expected increasing regulatory requirements. Capital actions are expected to include converting the bank's existing internal subordinated debt to equity, a capital injection from the Holding of up to € 10 million, further optimising mortgage risk-weighted assets and improving profitability. In the medium term, we expect the bank to return to paying a dividend. The ratios are based on Basel III phase-in including profits. This is a 'transitional solution' in using Basel III 'fully loaded'.

Sensitivity of the result and shareholders' funds

The impact of changes in the main capital markets data are set out below to provide information on the sensitivity of the result and shareholders' funds to movements in the capital markets. The sensitivity analysis of pensions is presented in section 2.7.10 'Pension obligations'.

The sensitivities can be described as follows:

Sensitivity factor

Factor	Description of sensitivity factor
Credit spreads	The effect of a 50 bps change in credit spread (applicable to sovereign, sub-sovereign and collateralised bonds with a rating below AAA, corporate bonds, FV loans).
Interest rates	The effect of a 25 bps increase or decrease across the yield curve taking the UFR methodology into account (UFR is not changed).
Equity values	The effect of a change of 10% in equity value (applicable to ordinary shares, 5% participations, investment funds and derivatives), taking into account a beta factor of 84% (2015: 84%).
Property values	The effect of a change of 10% in property value (applicable to offices, residential, retail and other property).
Funding spreads	The effect of a 50 bps change in funding spread (applicable in the valuation of FV mortgages without a NHG guarantee and mortgage funding).
Expenses	The effect of a 10% increase in expense assumptions
Mortality and disability risk in life insurance	The effect of an increase of 5% in mortality and disability risk probabilities.
Longevity risk	The effect of a reduction of 5% in mortality probabilities.
Additional interest sensitivities on the IFRS discount curve	The effect of a Last Liquid Point (LLP) of 15 years.
Additional interest sensitivities on the IFRS discount curve	The effect of a UFR of 3.7%
Additional interest sensitivities on the IFRS discount curve	The effect of a LLP of 15 years in combination with a UFR of 3.7%.
Additional interest sensitivities on the IFRS discount curve	The effect of a 28 bps increase or decrease in the VA.

The tables below show the impact of the main market risks on Delta Lloyd's results and on shareholders' funds. The IFRS sensitivities are based on Delta Lloyd accounting policies and are shown after tax. The interest rate sensitivities take into account the UFR methodology and are calculated using a fixed UFR (UFR is not changed).

Sensitivity analysis of investments

In millions of euros	Impact on result at 30 June 2016	Impact on shareholders' funds at 30 June 2016	Impact on result at 31 December 2015	Impact on shareholders' funds at 31 December 2015
Credit spreads +50 bps	-799.6	-820.6	-599.4	-615.5
Credit spreads -50 bps	879.1	901.1	654.9	671.8
Interest rates +25 bps	-1,059.6	-1,075.5	-862.6	-878.5
Interest rates -25 bps	1,121.4	1,137.7	911.7	928.0
Equity values +10%	-19.7	13.6	-7.3	82.4
Equity values -10%	20.9	-12.1	10.5	-78.4
Property values +10%	92.0	92.3	99.5	99.7
Property values -10%	-92.0	-92.3	-99.5	-99.7
Funding spreads +50 bps	-29.4	-29.4	-26.8	-26.8
Funding spreads -50 bps	29.4	29.4	26.8	26.8

Sensitivity analysis of liabilities

In millions of euros	Impact on result at 30 June 2016	Impact on shareholders' funds at 30 June 2016	Impact on result at 31 December 2015	Impact on shareholders' funds at 31 December 2015
Credit spreads +50 bps	-	-	-	-
Credit spreads -50 bps	-	-	-	-
Interest rates +25 bps	949.0	949.0	808.2	812.9
Interest rates -25ps	-994.3	-994.3	-845.7	-850.4
Equity values +10%	35.8	35.8	40.3	40.3
Equity values -10%	-38.1	-38.1	-46.9	-46.9
Property values +10%	-	-	-	-
Property values -10%	-	-	-	-
Mortality rates -5%	-276.7	-276.7	-218.0	-218.0
Expense risk +10%	-44.9	-36.4	-53.3	-35.5
Mortality rates +5%	262.8	262.8	203.5	203.5
IFRS discount curve with LLP 15yr	840.9	840.9	NA	NA
IFRS discount curve with UFR 3.7%	-232.9	-232.9	NA	NA
IFRS discount curve with LLP 15 yr and UFR 3.7%	494.3	494.3	NA	NA
VA +28 bps	1,025.4	1,025.4	NA	NA
VA -28 bps	-1,074.5	-1,074.5	NA	NA

Credit spread risk

Credit risk increased in the first half of 2016 mainly due to a higher exposure to sovereign bonds with a rating below AAA and an increased exposure due to the lower interest rates. Credit risk also increased due to increase of bond portfolio as part of the de-risking program (sell of equity). Credit spread sensitivities do not contain spread sensitivity to mortgages and mortgage funding. The sensitivity in the funding spread of mortgages is reported separately.

Interest rate risk

As of 30 June 2016, the new IFRS discount curve is used in estimating current market interest rates under IFRS. Sensitivities are calculated using a fixed UFR. In addition, due to historically low interest rates, interest rate sensitivity is based on a 0.25% increase or decrease in interest rates.

The sensitivity to both investments and liabilities increased due to the decreased interest rates in the first half of 2016. Given that the increase in the sensitivity of the investments is larger than the increase in the sensitivity of the liabilities, the total IFRS sensitivity increased compared to year-end 2015. A shock upward is most negative for IFRS purposes due to interest rate hedge policy of Delta Lloyd to hedge the SII SF ratio. See also the first pages of the risk management paragraph in which this is explained).

Equity risk

Since equity derivatives are valued at fair value with movement through profit and loss while other equity classes are not, there is a difference in the impact of equity risk on the results and on the shareholder's funds. Equity sensitivity during the first half of 2016 decreased significantly compared to year-end 2015 because of decreased exposure (sale of part of the portfolio) towards equities. In determining its equity sensitivities, Delta Lloyd takes into account the relationship between its equity risk profile and general market equity risk. If market equity values drop by 10%, a less severe loss is expected in Delta Lloyd's equity portfolio. This beta factor used to determine the equity sensitivities is based on an internal investigation of the equity portfolio and equals 84% for the first half of 2016 as well as at year-end 2015.

Property risk

Sensitivity to a fall in property markets slightly decreased in the first half of 2016 because of decreased exposure due to partial sale of the portfolio.

Funding spread risk

Sensitivity to mortgages and mortgage funding is reported separately under the funding spread sensitivity. The fair value of the mortgage portfolio depends on spreads obtained from the residential mortgage-backed securities (RMBS) market. As a result, there is no direct relationship in the valuation of mortgages to the corporate bond credit spread market. Delta Lloyd excludes mortgages with a national mortgage guarantee (NHG) when determining the funding spread sensitivity. The treatment of NHG mortgages is in line with the methodology under Basel. In addition, Delta Lloyd uses mortgages as matching assets for long-term insurance liabilities. In this respect, Delta Lloyd primarily faces default risk on its mortgage portfolio. The overall funding spread sensitivity remained fairy stable in the first half of 2016 compared to year-end 2015. The exclusion of mortgages with a NHG guarantee reduced both the +50 and -50 bps sensitivity for both the result and shareholders' funds by € 26.3 million in the first half of 2016.

Insurance risks

In addition to the impact of the main market risks on shareholders' funds, the sensitivity to a number of insurance risks is also presented. Mortality and longevity risk increased with approximately 30% compared to year-end 2015 because of an increase of the provision due to decreased interest rates. The impact of a 10% increase in expenses remained fairly stable compared to year-end 2015.

UFR and VA risk

As of 30 June 2016 the technical provision is determined using the new IFRS discount curve. For this reason additional sensitivities are presented in the sensitivity table, namely the impact on result and shareholders' funds by different UFR and VA levels in the IFRS discount curve. The IFRS discount curve is only used for the valuation of the liabilities; therefore these sensitivities only impact the liabilities. The VA sensitivities are slightly higher compared to the interest sensitivities, which matches expectations. The positive impact of changing the last liquid point (LLP) from 20 to 15 years outweighs the negative impact of lowering the UFR to 3.7% in the combined sensitivity (LLP of 15 and UFR of 3.7%).

Limitations of sensitivity analysis

The sensitivity tables demonstrate the effect of a change in one of the key assumptions while other assumptions remain unchanged. In reality, such an occurrence is very unlikely due to correlation between the factors. Furthermore, these sensitivities are non-linear, and larger or smaller impacts cannot easily be derived from the results. The sensitivity analysis does not take into consideration that Delta Lloyd's assets and liabilities are actively managed and may vary at the time that any actual market movement occurs. The financial risk management strategy aims to actively manage the exposure to market fluctuations. Techniques used include selling investments, changing investment portfolio allocation and using derivative financial instruments. Another limitation in the sensitivity analysis is that the hypothetical market movements represent Delta Lloyd's view on reasonably possible near-term market changes, which cannot be predicted with any certainty. A final limitation is the assumption that all interest rates move in an identical direction (with exception of convergence to the UFR) while this may not be the case in practice.

2.7.2 Segment information

2.7.2.1 Segment results

Basis of accounting

Segment performance is evaluated using a profit or loss measure, which is measured differently in certain respects from the profit or loss in the consolidated financial statements. The Executive Board assesses the performance of the operational segments using operational result after tax and non-controlling interests.

Operational result after tax and non-controlling interests as presented by Delta Lloyd is a non-GAAP financial measure and is not a measure of financial performance under IFRS and should be considered in conjunction with Delta Lloyd's IFRS results. Operational result after tax and non-controlling interest should not be considered in isolation as an alternative to the IFRS result before tax from continuing operations or to other data presented in Delta Lloyd's financial statements as indicators of financial performance. Since operational result as presented by Delta Lloyd is not determined in accordance with IFRS, it may not be comparable to other similarly titled measures of performance of other companies.

Delta Lloyd's net IFRS income is inherently volatile, principally as a result of the application of mark-to-market accounting since 2006. Given this volatility, Delta Lloyd does not view net IFRS result as the most effective measure by which it can judge the operational performance.

Income and result for the first half of 2016

In millions of euros	Life	General	Bank	Asset Manage-ment	Corporate and other activities	Elimi-nations	Total
Income							
Gross written premiums	1,322.6	835.3	-	-	-	-	2,157.8
Net premiums earned	1,302.1	653.7	-	-	-	-	1,955.8
Fee and commission income	61.1	27.1	12.6	48.1	27.4	-46.5	129.8
Net investment income							
Interest income	625.6	17.0	75.8	-	44.3	-34.2	728.5
Net rental income	23.2	-	-	-	-	-0.4	22.8
Dividends	105.7	3.7	-	-	0.3	-	109.7
Movements in the fair value of investments classified as held for trading	-2.2	-	-	-	-	-	-2.2
Movements in the fair value of investments classified as other than trading	3,227.7	41.8	-1.7	-	3.3	-	3,271.0
Realised gains and losses on investments classified as available for sale	93.8	65.0	0.1	-	2.2	-	161.1
Impairment of investments classified as available for sale	-5.7	-	-0.2	-	-0.1	-	-6.1
Reversal of impairment of investments classified as available for sale	-	0.2	-	-	-	-	0.2
Impairment of loans and receivables	-1.7	-	-3.2	-	-1.3	-	-6.2
Reversal of impairment of loans and receivables	3.8	-	2.1	-	1.1	-	7.0
Result from derivatives	1,472.3	-8.6	-12.3	-	-0.2	-	1,451.1
Other investment income	16.0	-0.5	-	-	-10.1	-4.8	0.7
Share of profit or loss after tax of associates	-5.3	-	-	1.6	-	-	-3.7
Total investment income	5,553.2	118.5	60.5	1.6	39.5	-39.5	5,733.8
Other income	0.7	-	-	-	-	0.1	0.8
Total income	6,917.1	799.3	73.1	49.7	66.9	-85.9	7,820.3
Total intercompany income	44.5	0.2	11.5	7.1	22.6	-85.9	-
Revenue from external customers	**6,872.6**	**799.1**	**61.6**	**42.6**	**44.3**	**-**	**7,820.3**
Result after tax and non-controlling interests	951.2	25.8	3.1	1.7	-56.4	-	925.5
Operational result after tax and non-controlling interests	250.8	-18.0	18.4	2.5	-28.3	-	225.4

Income and result for the first half of 2015

In millions of euros	Life	General	Bank	Asset Manage-ment	Corporate and other activities	Elimi-nations	Total
Income							
Gross written premiums	1,487.4	777.4	-	-	-	-	2,264.8
Net premiums earned	1,460.3	619.4	-	-	-	-	2,079.7
Fee and commission income	42.1	28.8	12.5	57.1	24.9	-50.3	115.1
Net investment income							
Interest income	637.4	24.3	82.5	-	63.1	-43.2	764.1
Net rental income	40.5	-	-	-	-	-4.0	36.5
Dividends	158.1	3.1	-	-	-	-	161.1
Movements in the fair value of investments classified as held for trading	-0.9	-	-	-	-	-	-0.9
Movements in the fair value of investments classified as other than trading	-159.7	-16.0	-5.0	-	-11.5	-	-192.1
Realised gains and losses on investments classified as available for sale	159.1	19.2	0.1	-	-	-	178.3
Impairment of investments classified as available for sale	-8.9	-	-	-	-	-	-8.9
Result from loans and receivables	6.6	-	0.1	-	-	-	6.7
Impairment of loans and receivables	-10.7	-	-3.0	-	0.2	-	-13.6
Reversal of impairment of loans and receivables	14.7	-	1.5	-	0.1	-	16.3
Result from derivatives	-590.3	-5.6	1.7	-	18.5	-	-575.7
Other investment income	14.9	-	-	-	20.2	-4.3	30.8
Share of profit or loss after tax of associates	24.6	0.2	-	-	8.5	-	33.3
Total investment income	285.4	25.1	77.8	-	99.1	-51.5	435.9
Other income	5.1	-0.1	-	-	0.3	0.1	5.3
Total income	1,792.9	673.3	90.3	57.2	124.3	-101.8	2,636.1
Total intercompany income	33.9	0.1	19.6	10.1	38.2	-101.8	-
Revenue from external customers	**1,759.0**	**673.2**	**70.7**	**47.1**	**86.1**	**-**	**2,636.1**
Result after tax and non-controlling interests	-409.2	27.5	24.2	7.6	-182.8	-	-532.7
Operational result after tax and non-controlling interests	346.6	31.8	21.4	10.8	-30.3	-	380.2

Expenses for the first half of 2016

In millions of euros	Life	General	Bank	Asset Manage-ment	Corporate and Other Activities	Elimi-nations	Total
Net claims and benefits paid	1,476.6	446.5	-	-	-	-	1,923.1
Total change in insurance liabilities, net of reinsurance	3,630.4	82.6	-	-	-	-	3,713.0
Charge to financial liability on behalf of third party interest in investment funds	185.9	-	-	-	-	-	185.9
Expenses relating to the acquisition of insurance, investment and other contracts	133.7	169.5	2.1	22.0	10.7	-46.7	291.4
Total finance costs	94.8	5.7	37.0	0.1	64.3	-38.8	163.1
Staff costs and other employee-related expenditures	64.0	65.5	12.9	12.7	82.4	-	237.5
Amortisation of intangible fixed assets	4.5	0.6	-	1.3	0.9	-	7.2
Depreciation of property and equipment	0.5	-	-	-	3.3	-	3.8
Operating expenses	60.0	43.0	16.9	11.8	-27.8	-0.4	103.4
Impairment of receivables	1.6	1.0	-	-	-	-	2.6
Reversal of impairment of receivables	-1.6	-1.1	-	-	-	-	-2.7
Allocated to expenses relating to the acquisition of insurance, investment and other contracts	-46.4	-57.6	-	-	-	-	-104.0
Total other operating expenses	82.4	51.5	29.7	25.8	58.8	-0.4	247.9
Total expenses	**5,603.9**	**755.8**	**68.9**	**47.9**	**133.8**	**-85.9**	**6,524.4**
Income tax	341.9	10.5	1.0	0.1	-10.5	-	343.0

Expenses for the first half of 2015

In millions of euros	Life	General	Bank	Asset Manage-ment	Corporate and other activities	Elimi-nations	Total
Net claims and benefits paid	1,552.7	438.5	-	-	-	-	1,991.2
Total change in insurance liabilities, net of reinsurance	51.6	-31.9	-	-	-	-	19.6
Charge to financial liability on behalf of third party interest in investment funds	397.1	-	-	-	-	-	397.1
Expenses relating to the acquisition of insurance, investment and other contracts	142.4	161.9	2.1	22.5	9.8	-50.3	288.5
Total finance costs	90.7	6.0	40.5	-	79.2	-47.5	168.9
Staff costs and other employee-related expenditures	72.9	51.7	10.2	11.6	98.6	-	245.1
Amortisation of intangible fixed assets	4.4	0.6	0.1	1.3	1.2	-	7.6
Depreciation of property and equipment	1.5	-	-	-	2.4	-	3.9
Operating expenses	150.1	60.3	16.4	11.3	108.5	-4.0	342.7
Impairment of property and equipment	0.2	-	-	-	-	-	0.2
Impairment of receivables	0.6	5.2	-	-	-	-	5.8
Reversal of impairment of receivables	-0.7	-3.5	-	-	-	-	-4.2
Allocated to expenses relating to the acquisition of insurance, investment and other contracts	-47.6	-59.9	-	-	-	-	-107.4
Total other operating expenses	181.5	54.5	26.7	24.2	210.7	-4.0	493.6
Total expenses	**2,416.0**	**628.9**	**69.3**	**46.7**	**299.8**	**-101.8**	**3,359.0**
Income tax	-208.9	10.3	5.6	2.8	-1.6	-	-191.7

*Net claims and benefits paid include profit sharing and discounts.

2.7.2.2 Segment statement of financial position

Segment statement of financial position at 30 June 2016

In millions of euros	Life	General	Bank	Asset Manage-ment	Corporate and Other Activities	Elimi-nations	Total
Intangible assets	60.3	24.5	-	8.8	262.7	-	356.3
Associates and joint ventures	39.6	-	-	1.8	1.6	-	43.1
Financial investments	62,088.7	2,389.4	5,048.5	-1.3	2,571.7	-1,340.8	70,756.2
Reinsurance assets	392.9	173.4	-	-	-	-	566.3
Assets held for sale	115.3	-	-	-	-	-	115.3
Other assets	6,727.1	477.9	546.9	39.5	4,597.1	-3,930.6	8,457.8
Total assets	**69,424.0**	**3,065.2**	**5,595.3**	**48.8**	**7,433.1**	**-5,271.4**	**80,295.0**
Total shareholders' funds	3,287.0	415.8	195.3	27.6	70.2	-	3,995.8
Insurance liabilities	46,987.8	2,237.6	-	-	-	-	49,225.4
Investment liabilities	6,824.8	-	-	-	-	-	6,824.8
Borrowings	968.0	130.0	1,733.6	-	2,992.1	-1,127.5	4,696.2
Other liabilities	11,356.4	281.9	3,666.5	21.3	4,370.8	-4,143.9	15,552.9
Total liabilities	66,137.0	2,649.4	5,400.0	21.3	7,362.9	-5,271.4	76,299.2
Total shareholders' funds and liabilities	**69,424.0**	**3,065.2**	**5,595.3**	**48.8**	**7,433.1**	**-5,271.4**	**80,295.0**
Property and equipment	-	-	-	-	4.6	-	4.6
Intangible assets	1.5	-	-	-	1.9	-	3.4
Total capital expenditure	1.5	-	-	-	6.5	-	8.0

Segment statement of financial position at 31 December 2015

In millions of euros	Life	General	Bank	Asset Manage-ment	Corporate and other activities	Elimi-nations	Total
Intangible assets	63.3	25.1	-	10.0	261.7	-	360.1
Associates and joint ventures	194.8	5.4	-	0.3	78.4	-	278.9
Financial investments	58,816.7	2,357.8	4,854.3	22.4	2,646.0	-2,622.0	66,075.2
Reinsurance assets	392.2	169.9	-	-	-	-	562.1
Assets held for sale	-	-	-	-	29.2	-	29.2
Other assets	4,197.8	505.0	785.0	47.8	4,473.5	-3,846.4	6,162.7
Total assets	**63,664.9**	**3,063.1**	**5,639.3**	**80.4**	**7,488.9**	**-6,468.4**	**73,468.2**
Total shareholders' funds	2,706.6	529.8	192.3	59.5	-665.6	-	2,822.6
Insurance liabilities	43,749.6	2,040.3	-	-	-	-	45,789.9
Investment liabilities	6,304.5	-	-	-	-	-	6,304.5
Borrowings	965.5	130.0	1,308.4	-	3,052.1	-1,139.9	4,316.2
Other liabilities	9,938.6	363.1	4,138.5	20.9	5,102.4	-5,328.5	14,235.0
Total liabilities	60,958.3	2,533.3	5,447.0	20.9	8,154.5	-6,468.4	70,645.5
Total shareholders' funds and liabilities	**63,664.9**	**3,063.1**	**5,639.3**	**80.4**	**7,488.9**	**-6,468.4**	**73,468.2**
Property and equipment	1.7	-	-	-	7.1	-	8.8
Intangible assets	0.8	-	-	-	1.1	-	1.9
Total capital expenditure	2.5	-	-	-	8.2	-	10.7

2.7.2.3 Reconciliation of the primary financial statements

A reconciliation of operational result after tax and non-controlling interests to result before tax from continuing operations is as follows:

Reconciliation of the result for the first half

In millions of euros	2016	2015
Operational result after tax and non-controlling interests	225.4	380.2
Income tax	80.0	131.6
Non-controlling interests	14.6	14.7
Operational result before tax and non-controlling interests	320.0	526.6
Movement assets	4,521.7	-1,235.1
Movement liabilities	-3,404.5	258.2
Change in provision onerous contracts for subsidiaries sold	-	-229.1
Other	-141.2	-39.2
Result before tax from continuing operations	**1,295.9**	**-718.7**

The operational result in 2016 has been affected by the lower mortality result and the extreme weather conditions. Investment spread is lower due to de-risking and the effect of a higher required interest.

The required interest for the Life segment is calculated by means of a proxy, using the 13-year point on the Collateralised AAA curve (i.e. increasing interest rate from 0.67% per 31 March 2015 to 0.95% per 31 March 2016). This calculation is made on a monthly basis, where the 13-year point per 31 December 2015 is used for the monthly calculations in the first quarter of 2016 and the 13-year point per 31 March 2016 is used for the monthly calculations in the second quarter of 2016. As of the third quarter of 2016, the new IFRS discount curve will be used in this methodology to calculate the required interest. As a result, the ineffectiveness of the proxy (including the impact of the UFR) is currently not incorporated in the required interest for the Life segment. This 'UFR effect', i.e. a € 118.1 million loss in the first half of 2016 (first half of 2015: € 158.4 million loss), is subsequently not included in the operational result, but in the movement of liabilities.

In the first half of 2015, the increase of interest rates led to a lower 'movement of assets', as the market value of the fixed income portfolio decreased. In 2016, positive credit spread developments combined with lower interest rates had a positive impact on the market value.

In the first half of 2015, the Collateralised AAA curve was volatile. After continuing to fall in the first few months of the year, the Collateralised AAA curve showed an upward trend. This resulted in a release of the insurance provision. In 2016, the curve remained volatile, but with an overall downward trend. This strengthened the provision in 2016, partly offset by the positive impact of switching from the Collateralised AAA curve to the new IFRS discount curve. See section 2.7.8 'Insurance liabilities' for more details.

'Other' consists mainly of Amstelhuys' negative result of € 14.3 million in the first half of 2016 (first half of 2015: positive result of € 21.4 million), the positive net result of Delta Lloyd Bank Belgium for an amount of € 8.9 million in the first half of 2015 only, the negative impact of group elimination of pensions in the first half of 2016 for an amount of € 75.3 million (first half of 2015: positive impact of € 10.5 million) and non-operational expenses for an amount of € 54.0 million (first half of 2015 € 66.7 million).

Management cost base per segment for the first half

In millions of euros	2016	2015
Life Insurance	110.6	125.5
General Insurance	103.1	106.8
Bank	25.1	24.6
Asset Management	22.6	20.2
Corporate and other activities	37.3	34.5
Total	**298.7**	**311.7**

Reconciliation IFRS operational costs to other operating expenses for the first half

In millions of euros	2016	2015
Total other operating expenses*	247.9	555.0
Operating expenses Delta Lloyd Bank Belgium	-	-61.4
Other operating expenses	247.9	493.6
Allocated to expenses relating to the acquisition of insurance and investment contracts	104.0	107.4
Movement in other provisions	0.8	-231.5
Non-operational costs	-54.0	-66.7
Other	-	8.9
Management cost base	**298.7**	**311.7**

*See section 2.2 'Consolidated Income Statement'.

The non-operational costs for the first half of 2016 consist mainly of the costs from the sale of Van Lanschot for amount of € 6.4 million and several non-operational strategic and other projects for an amount of € 38.9 million. In the first half of 2015, the non-operational costs consisted mainly of impairments for an amount of € 2.3 million, several non-operational strategic and other projects for an amount of € 34.9 million and the fine imposed by the Dutch central bank of € 22.7 million.

Other operating expenses mainly decreased due to the provision for onerous contracts recognised in the first half of 2015 (€ 229.1 million) for the sale of Delta Lloyd Deutschland, Delta Lloyd Bank Belgium and several equity securities in private equity and hedge funds.

The table below provides details of the other operating expenses.

Other operating expenses for the first half

In millions of euros	2016	2015
Staff costs and other employee-related expenditures	237.5	245.1
Amortisation of intangible fixed assets	7.2	7.6
Depreciation on property and equipment	3.8	3.9
Operating expenses	103.4	342.6
Impairment of property and equipment	-	0.2
Impairment of receivables	2.6	5.8
Reversal of impairment of receivables	-2.7	-4.2
Allocated to expenses relating to the acquisition of insurance, investment and other contracts	-104.0	-107.4
Total other operating expenses	**247.9**	**493.6**

Allocated to expenses relating to the acquisition of insurance and investment contracts of € 104.0 million (first half of 2015: € 107.4 million) includes acquisition costs of € 71.3 million (first half of 2015: € 74.2 million) and costs for handling claims of € 32.7 million (first half of 2015: € 33.2 million).

2.7.3 Assets held for sale

Assets and liabilities relating to assets held for sale

In millions of euros	30 June 2016	31 December 2015
Equity securities (private equity)	-	29.2
Derivatives related to life settlement	115.3	-
Total assets held for sale	**115.3**	**29.2**
Total liabilities relating to assets held for sale	**-**	**-**

The sale of the private equity security was finalised in the first quarter of 2016. The impact of this transaction on the comprehensive income amounted to nil, but still consisted of a realised gain of € 2.1 million offset by a negative result caused by the release of the revaluation reserve in equity amounting to € 2.1 million.

As of 30 June 2016, derivatives relating to life settlement are classified as held sale because the selling process is expected to be finalised in the second half of 2016. The value of these derivatives depends on the value of the life settlement contracts issued and is established by using best estimate principles. These contracts are valued using a fair value market approach at current market rates.

2.7.4 Associates

Statement of changes in associates

In millions of euros	30 June 2016	31 December 2015
Carrying value at 1 January	278.9	338.3
Disposals	-212.3	-13.0
Capital withdrawal	-8.2	-63.0
Share of result after tax	-3.7	82.6
Dividends received	-5.6	-26.6
Fair value changes in equity	-4.9	-39.5
Other movements	-1.1	0.2
Total	**43.1**	**278.9**

Disposals in the first half of 2016 relate to the sale of Van Lanschot. At the moment of the sale, Delta Lloyd held a 30.2% stake in Van Lanschot at a net equity value of € 212.3 million. The impact of this transaction on the comprehensive income amounted to a realised loss of € 13.9 million. The total impact on profit for the period amounted to a loss of € 19.7 million which includes the release of the revaluation reserve in equity amounting to € 5.8 million negative. The impact of € 13.9 million on comprehensive income does not include the expenses relating to the sale of Van Lanschot for € 6.4 million.

The capital withdrawals in the first half of 2016 relate to Project Holland Fonds CV. Dividends were received from Van Lanschot.

2.7.5 Financial investments own risk

Debt and equity securities for own risk

In millions of euros	30 June 2016	31 December 2015
Debt securities	31,985.5	28,342.1
Equity securities	1,384.7	2,169.3
Total	**33,370.1**	**30,511.3**

Compared to year-end 2015, the value of the debt securities increased, mainly due to fair value gains related to the decrease in interest rates. The value of the equity securities decreased compared to year-end 2015, mainly due to disposals to reduce equity risk further.

Fair value of debt and equity securities for own risk by category at 30 June 2016

In millions of euros	Debt securities	Equity securities	Total
Recognised at fair value through profit or loss other than trading	30,393.5	471.7	30,865.2
Available for sale	1,592.0	913.0	2,505.0
Total	**31,985.5**	**1,384.7**	**33,370.1**

Fair value of debt and equity securities for own risk by category at 31 December 2015

In millions of euros	Debt securities	Equity securities	Total
Recognised at fair value through profit or loss other than trading	26,824.0	1,133.8	27,957.8
Available for sale	1,518.1	1,035.5	2,553.6
Total	**28,342.1**	**2,169.3**	**30,511.3**

Accumulated impairment of debt securities available for sale

In millions of euros	30 June 2016	31 December 2015
At 1 January	14.1	13.5
Impairment charges during the period	0.3	0.8
Reversal of impairment charges during the year	-0.2	-0.0
Disposals	-	-0.1
Total	**14.2**	**14.1**

Accumulated impairment of equity securities available for sale

In millions of euros	30 June 2016	31 December 2015
At 1 January	316.4	492.4
Impairment charges during the period	5.7	22.7
Disposals	-14.6	-198.6
Total	**307.6**	**316.4**

Derivatives for own risk

In millions of euros	Contract / notional amount 30 June 2016	Fair value asset 30 June 2016	Fair value liability 30 June 2016	Contract / notional amount 31 December 2015	Fair value asset 31 December 2015	Fair value liability 31 December 2015
OTC foreign exchange forwards*	2,926.3	22.5	19.6	4,438.1	18.2	27.3
Interest rate contracts						
OTC						
Interest rate and currency swaps held for fair value hedge accounting	1,475.9	-	110.8	1,461.3	3.9	174.5
Interest rate and currency swaps not held for fair value hedge accounting	15,306.4	2,784.5	61.1	16,037.0	1,456.0	142.4
Options	3,072.0	75.3	-	2,332.0	44.8	0.8
Exchange-traded						
Futures	590.4	-	-	818.2	-	-
Total interest rate contracts	20,444.6	2,859.9	171.8	20,648.5	1,504.7	317.8
Equity/index contracts						
OTC						
Swaps	3,711.6	-	887.0	3,866.6	-	643.4
Options	202.2	0.2	-	232.4	2.1	-
Exchange-traded						
Futures	0.2	-	-	0.2	-	-
Total equity/index contracts	3,914.0	0.2	887.0	4,099.2	2.1	643.4
Longevity derivatives	-	28.0	-	-	29.0	-
Derivatives related to life settlement	-	-	-	-	118.9	-
Credit default swaps	599.6	2.2	8.2	473.0	3.1	3.4
Total	**27,884.5**	**2,912.8**	**1,086.6**	**29,658.8**	**1,675.9**	**991.9**

* The comparative figure of the notional amounts has been adjusted; this has no impact on the fair values of underlying derivatives, the financial position or any other disclosures in this report.

The credit risk for most of the derivative positions is nil as they are fully cash-collateralised. The derivatives related to life settlement had been reclassified to held for sale. See section 2.7.3 'Discontinued operations and assets and liabilities held for sale'

Loans and receivables

In millions of euros	30 June 2016	31 December 2015
Loans at fair value through profit or loss	5,149.0	5,235.9
Loans and receivables at amortised cost	11,417.8	10,676.9
Total	**16,566.8**	**15,912.7**

Loans at fair value through profit or loss include € 5,012.9 million of mortgages (year-end 2015: € 5,106.6 million). Delta Lloyd uses the bottom-up approach for the valuation of the Dutch residential mortgages. In order to take relevant market information into account, Delta Lloyd calculates the discount spread using the top-down approach as well. If the top-down spread is higher than the bottom-up spread, Delta Lloyd calibrates the bottom-up spread using a benchmark spread.

The table below shows the loan to market value (LTMV) of the standard and securitised 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 an annuity basis.

Loan to market value

In percentages	30 June 2016	31 December 2015
NHG < 100%	23%	21%
NHG > 100%	23%	25%
< 70%	15%	13%
70% - 90%	16%	14%
90% - 100%	6%	6%
100% - 110%	6%	6%
110% - 120%	6%	7%
> 120%	5%	8%
Total	**100%**	**100%**

Almost all mortgages relate to residential properties. Of the mortgages issued in the first half of 2016, 49.27% (year-end 2015: 44.88%) have a loan-to-value ratio that is less than 90%. As of 30 June 2016, a revised calculation method is used, resulting in a slight increase in the figure. Comparative figures are adjusted accordingly. Dutch mortgages guaranteed through the NHG scheme account for 35.50% (year-end 2015: 39.54%) of the 2016 portfolio. No new mortgages were issued with a loan-to-value ratio exceeding 102% without the applicant pledging additional collateral. No derivative instruments were contracted to mitigate any credit risk related to mortgage loans. Delta Lloyd does not believe hedging is required, given the relatively small credit risk exposure.

The economic crisis has had a major impact on the housing market and employment, and Delta Lloyd is committed to proactively helping its customers avoid and resolve any financial difficulties they might face. This commitment stems from Delta Lloyd's duty of care to its customers throughout the entire mortgage product cycle. Forbearance measures are taken in cases where customers temporarily experience:

- Double housing costs, in which case Delta Lloyd gives customers the option to rent out the property, but under strict conditions;
- The threat of getting into financial difficulty, in which case Delta Lloyd provides information offering temporary or permanent solutions;
- Financial problems resulting from a permanent decrease in income, in which case Delta Lloyd restructures the mortgage.

The maximum exposure on double housing costs is € 40.6 million (year-end 2015: € 41.1 million) on a total mortgage portfolio of € 13.4 billion (year-end 2015: € 13.3 billion). Delta Lloyd takes a proactive approach toward customers who are likely to get into financial difficulties due to their mortgage product type (securities-based).

The table below provides an overview of the gross carrying amount of mortgages, for which measures have been taken to minimise the financial difficulties of customers or the risk of financial difficulties.

Overview of forborne assets at 30 June 2016

In millions of euros		Performing assets		Non-performing assets			
	Gross carrying amount	Temporary modification	Permanent modification	Temporary modification	Permanent modification	Total forborne assets	Forbearance ratio
Mortgages	13,419.4	37.9	38.9	25.8	3.3	105.9	0.8%
Total	**13,419.4**	**37.9**	**38.9**	**25.8**	**3.3**	**105.9**	**0.8%**

Overview of forborne assets at 31 December 2015

In millions of euros		Performing assets		Non-performing assets			
	Gross carrying amount	Temporary modification	Permanent modification	Temporary modification	Permanent modification	Total forborne assets	Forbearance ratio
Mortgages	13,266.1	0.7	6.1	3.0	28.8	38.5	0.3%
Total	**13,266.1**	**0.7**	**6.1**	**3.0**	**28.8**	**38.5**	**0.3%**

Forborne assets have been recorded since 2014. As mortgage loans have a long duration, the total amount of forborne assets is expected to increase because forborne assets of past periods can continuously remain part of the total outstanding balance. Most of the 2014 and 2015 forborne assets are also included in the balance at 30 June 2016. As of 2015, mortgage loans with payment arrears of more than six months that emerged over the past year are included. As of 30 June 2016, the forbearance policy has been fine-tuned, resulting in an increase in the forborne assets.

Accumulated impairment of loans and receivables at amortised cost

In millions of euros	30 June 2016	31 December 2015
At 1 January	55.2	61.1
Impairment charges during the period	7.7	27.4
Reversal of impairment charges during the year	-7.8	-26.9
Disposals	-0.4	-6.4
Total	**54.6**	**55.2**

2.7.6 Investments at policyholders' risk

Carrying value of financial investments related to unit-linked liabilities

In millions of euros	30 June 2016	31 December 2015
Debt securities	4,903.2	4,417.9
Equity securities	9,904.6	9,847.5
Derivatives	321.1	154.6
Receivables and other financial assets	46.7	25.8
Accrued interest and prepayments	43.5	58.4
Cash and cash equivalents	53.4	99.8
Total	**15,272.4**	**14,604.0**
The associated liabilities are:		
Unit-linked contracts classified as insurance contracts	12,870.5	12,591.8
Unit-linked contracts classified as investment contracts	1,532.1	1,358.1
Derivatives liabilities	2.8	21.7
Other liabilities	-	-
Total	**14,405.4**	**13,971.6**

The difference between the total assets and the associated liabilities is mainly due to the elimination of the Delta Lloyd pension contract at group level offset by specific investment funds for own risk that Delta Lloyd Levensverzekering forms for unit-linked clients and separate accounts, given the guarantees issued.

2.7.7 Share capital

The company's ordinary and preference share capital is as follows:

Share capital

In millions of euros	30 June 2016	31 December 2015
912,365,110 ordinary shares with a nominal value of € 0.20 each (2015: 360,000,000)	182.5	72.0
15,000,000 convertible preference shares A with a nominal value of € 0.20 each (2015: 15,000,000)	3.0	3.0
927,365,110 convertible preference shares B with a nominal value of € 0.20 each (2015: 375,000,000)	185.5	75.0
Total authorised share capital of the company	**370.9**	**150.0**
456,182,555 ordinary shares with a nominal value of € 0.20 each (2015: 228,614,612 with a nominal value of € 0.20 each)	91.2	45.7
Total issued share capital of the company	**91.2**	**45.7**
The 10,021,495 (2015: 10,021,495) outstanding convertible preference shares A with a nominal value of € 0.20 each are recognised as a convertible loan.	2.0	2.0

The Articles of Association were amended on 11 April 2016, after the Extraordinary General Meeting on 16 March 2016 approved the amendment of the Articles of Association to increase the authorised share capital due to the rights issue.

Ordinary shares have equal ranking and are entitled to dividends and other distributions declared, made or paid by the company.

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

Statement of changes in ordinary shares

In numbers	30 June 2016	31 December 2015
At 1 January	228,614,612	199,330,887
Issue of shares	227,567,943	19,933,087
Stock dividend	-	9,350,638
Total	**456,182,555**	**228,614,612**

The rights issue of € 650.0 million was approved in the Extraordinary General Meeting of Shareholders held on 16 March 2016.

Shortly thereafter, Delta Lloyd issued 227,567,943 new ordinary shares with a nominal value of € 0.20 at an issue price of € 2.85 per share.

As a result of the increase in ordinary shares, the preference shares B were increased by the same number of shares.

2.7.8 Insurance liabilities

Insurance liabilities at 30 June 2016

In millions of euros	Life	General	Total
Discretionary participating contracts	4,399.9	-	4,399.9
Non-discretionary participating contracts	3,223.2	-	3,223.2
Unit-linked non-participating contracts	12,870.5	-	12,870.5
Other non-participating contracts	26,494.2	-	26,494.2
Outstanding claims provisions	-	1,387.7	1,387.7
Provision for claims-handling expenses	-	69.1	69.1
Provision for claims incurred but not reported	-	433.9	433.9
Provision for unearned premiums	-	346.9	346.9
Total	**46,987.8**	**2,237.6**	**49,225.4**

Insurance liabilities at 31 December 2015

In millions of euros	Life	General	Total
Discretionary participating contracts	4,024.2	-	4,024.2
Non-discretionary participating contracts	3,137.5	-	3,137.5
Unit-linked non-participating contracts	12,591.8	-	12,591.8
Other non-participating contracts	23,996.2	-	23,996.2
Outstanding claims provisions	-	1,358.2	1,358.2
Provision for claims-handling expenses	-	64.7	64.7
Provision for claims incurred but not reported	-	399.0	399.0
Provision for unearned premiums	-	218.3	218.3
Total	**43,749.6**	**2,040.3**	**45,789.9**

Statement of changes in life insurance business provisions

In millions of euros	30 June 2016	31 December 2015
At 1 January	43,749.6	43,492.0
Provisions in respect of new business	360.3	939.1
Expected change in existing business provisions	-391.7	-977.0
Movement in longevity provision	534.0	97.3
Variance between actual and expected experience	117.3	-122.3
Effect of operating assumption changes	-0.2	93.5
Effect of economic assumption changes	2,580.1	-68.2
Other movements recognised as expense	38.3	-87.3
Change in liability recognised as expense	3,238.2	-125.0
Other movements not recognised as expense	-	382.6
Total	**46,987.8**	**43,749.6**

The expected change in existing business provisions and the variance between actual and expected experience relate to claims, interest and portfolio developments.

New business decreased compared to same period last year (from € 457.4 million to € 360.3 million). This decrease is a direct effect of Delta Lloyd's strategy to write customer-focused, profitable and capital-generative new business.

The increase in the total insurance liabilities is mainly due to the effect of economic assumptions, which is mainly the result of movements in market interest rates and the introduction of the IFRS discount curve for calculating the insurance liabilities (see section 2.6.2 'Use of assumptions and estimates'). For Delta Lloyd, the average decrease in the curve of 71 bps increased its insurance liability by € 2,589.3 million (excluding the longevity provision). This includes the effect of introducing the IFRS discount curve, which resulted in a decrease of € 435.6 million in the insurance liabilities (excluding the longevity provision) since the IFRS discount curve is slightly above the Collateralised AAA curve. The movements in the provisions for interest rate guarantees on unit-linked and segregated funds are also included in the economic assumption changes. The movements in the provision for the unit-linked portfolio, due to changes in the underlying investments, are recognised as expected change in existing business provisions and the variance between actual and expected experience.

The increase in the longevity provision for Delta Lloyd Levensverzekering is mainly due to decreasing interest rates (i.e. the effect of the decrease in the Collateralised AAA curve of € 272.0 million increase of the provision partially offset by the introduction of the IFRS discount curve of € -84.2 million decrease of the provision) and a revised calculation method in the first half of 2016 (€ 330.5 million increase of the provision). See section 2.6.2 'Use of assumptions and estimates' for more details.

Other movements recognised as expenses of € 38.3 million mainly relate to an increase of the revaluation of the savings mortgages due to a decrease in the swap curve in the calculation at ABN AMRO Levensverzekering (€ 60.2 million). This is partly offset by the following effects at Delta Lloyd Life Belgium:

- The recalculated effect of a product conversion model refinement (€ -11.1 million);
- Adjustments to the calculation of the non-hedgeable operational risks as part of the risk margin (€ 2.2 million);

- Change in profit-sharing parameters (€ -5.4 million);
- Other adjustments (€ -7.6 million).

Statement of changes in general insurance provisions

In millions of euros	30 June 2016	31 December 2015
At 1 January	2,040.3	2,170.4
Premiums written during the year	835.3	1,354.7
Premiums earned during the year	-706.7	-1,355.3
Movement in premium provision recognised as expense	128.6	-0.6
Effect of operating assumption changes	-	-21.5
Effect of economic assumption changes	28.0	-1.3
Claim losses and expenses incurred in the current year	487.8	901.0
Movement in anticipated claim losses and expenses incurred in prior years	27.8	-17.6
Incurred claims losses and expenses	543.7	860.6
Payments made on claims incurred in the current year	-156.6	-439.6
Payments made on claims incurred in prior years	-326.3	-542.6
Recoveries on claim payments	6.2	12.0
Claims payments made in the year, net of recoveries	-476.7	-970.1
Movement in claims provision recognised as expense	67.0	-109.6
Increase in provision due to passage of time recognised as expense	1.8	4.3
Transfer of liabilities to third party	-	-24.1
Other gross movements	-	-0.2
Total	**2,237.6**	**2,040.3**

The movement in the provision for unearned premium amounts to € 128.6 million and mainly relates to the seasonal effect whereby a relatively large part of the premiums are written in the first half of the year, but are actually earned in the second half.

The change in economic assumptions can be attributed to the movement in the Collateralised AAA curve from the beginning of the period (€ 33.1 million) and the introduction of the IFRS discount curve(€ -5.3 million).

The claim losses and expenses incurred in 2016 include the anticipated impact of the severe weather conditions in the Netherlands in June of € 48.0 million (of which € 3.6 million is reinsured).

2.7.9 Liabilities for investment contracts

Liabilities for investment contracts

In millions of euros	30 June 2016	31 December 2015
Discretionary participating policies (fair value)	4,838.8	4,481.6
Non-participating investment contracts (amortised cost)	453.9	464.8
Unit-linked contracts (fair value)	1,532.1	1,358.1
Total	**6,824.8**	**6,304.5**

Statement of changes in liabilities for investment contracts

In millions of euros	30 June 2016	31 December 2015
At 1 January	6,304.5	6,154.3
Provisions in respect of new business	110.1	171.0
Expected change in existing business provisions	85.5	267.5
Variance between actual and expected experience	-154.4	-165.1
Effect of changes in assumptions	512.9	-0.9
Other movements	-33.7	-122.3
Total	**6,824.8**	**6,304.5**

The effect of changes in assumptions of € 512.9 million is mainly due to the result of movements in market interest rates and the introduction of the IFRS discount curve for calculating the investment contracts liabilities (effect of the introduction of the IFRS discount curve € -43.1 million). See section 2.6.2 'Use of assumptions and estimates' for more details.

The other movements relate to the liabilities for investment contracts of Delta Lloyd Life Belgium and include the effect of revised profit-sharing parameters of € -48.4 million.

2.7.10 Pension obligations

Pension obligations increased during the first half of 2016 from € 2,501.6 million at year-end 2015 to € 2,936.0 million. This is mainly due to the lower discount rate for first half of 2016 (for the Netherlands 1.35%) compared to 2015 (for the Netherlands 2.25%). The current IFRS coverage ratio, calculated as investments divided by defined benefit obligation, is 117% (year-end 2015: 123%).

Delta Lloyd is in consultation for the implementation of a new pension scheme in the Netherlands from 2017 onwards.

Pension expenses for the first half

In millions of euros	2016	2015
Current service cost	26.7	33.3
Net interest expense	27.9	27.9
Pension expense for defined benefit plans	54.5	61.2
Pension expense for defined contribution plans	1.1	0.5
Total pension expense recognised in the income statement	55.7	61.7
Investment income (gain)/loss	-369.3	100.0
Total pension result recognised in the income statement	-313.6	161.7
Actuarial (gains) and losses recognised in the income statement	0.1	-
Actuarial (gains) and losses recognised in OCI	389.3	-141.9
Total net pension result	**75.7**	**19.8**
Net pension expense from discontinued operations	**-**	**-1.2**

Changes in other comprehensive income for the first half

In millions of euros	2016	2015
At 1 January	-753.7	-890.2
Actuarial gains and (losses) on pension obligations due to changes in financial assumptions (mainly discount rate change)	-425.9	229.5
Actuarial gains and (losses) on pension obligations due to adjustment for funding agreement	46.5	-112.9
Actuarial gains and (losses) on pension obligations due to experience adjustments	6.0	-8.2
Actuarial gains and (losses) on pension assets	-15.9	34.7
Actuarial gains and (losses) due to change in asset ceiling	-	0.7
Transfer of liabilities/assets to held for sale category	-	-1.9
Total changes in other comprehensive income	-389.3	141.9
At 30 June	**-1,143.0**	**-748.3**

Sensitivity analysis of defined benefit obligations

In millions of euros	Impact on equity 30 June 2016	Impact on equity 31 December 2015
Interest rate risk +25 bps	122.1	101.6
Interest rate risk -25 bps	-122.1	-101.6
Value of equity shares +10%	-61.3	-65.2
Value of equity shares -10%	61.3	65.2

2.7.11 Borrowings

Delta Lloyd securitised a portfolio of mortgage loans in June 2016. The issue involved an amount of € 622.6 million under the name of Arena NHG 2016-1. The loans are backed by the Dutch national mortgage guarantee scheme NHG.

The contract maturity date is July 2048 and the anticipated maturity date is July 2021. The Class A1 and Class A2 notes have a floating interest rate, while the Class A3 notes are fixed at 0.273%. The tranches with the highest risk are held as own book for an amount of € 122.6 million.

2.7.12 Financial liabilities

Financial liabilities

In millions of euros	30 June 2016	31 December 2015
Savings	2,779.8	2,695.9
Demand deposits	2,862.5	1,386.1
Deposits	1,103.4	981.0
Customer savings and deposits	6,745.8	5,063.0
Other financial liabilities	279.2	122.8
Financial liabilities	**7,025.0**	**5,185.7**
Expected to be settled within one year	4,903.4	3,041.0
Expected to be settled in more than one year	2,121.6	2,144.7
Total	**7,025.0**	**5,185.7**

The increase in demand deposits is due to collateral repayment obligations primarily held by Delta Lloyd Levensverzekeringen.

2.7.13 Contingent assets and liabilities

Delta Lloyd NV/Highfields

Highfields Capital Management LP and a number of related entities (collectively Highfields) have commenced what is called 'enquiry proceedings' in the Enterprise Chamber of the Amsterdam Court of Appeal against Delta Lloyd NV. Their request in these proceedings for injunctive relief to block the voting on Delta Lloyd's € 650 million rights issue has been denied by the court, but Highfields request for an enquiry into the company's affairs as of 1 January 2015 is still pending. Closing arguments were presented on 30 June 2016 and a ruling is currently awaiting.

2.7.14 Fair value of assets and liabilities

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

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

Assets at 30 June 2016

In millions of euros	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Property and equipment	55.0	72.5	-	72.5	-
Investment property	1,092.4	1,092.4	-	998.6	93.8
Debt securities	31,985.5	31,985.5	31,683.0	253.7	48.7
Equity securities	1,384.7	1,384.7	695.5	332.4	356.8
Derivatives	2,912.8	2,912.8	0.2	2,884.6	28.0
Loans at fair value through profit or loss	5,149.0	5,149.0	-	5,117.7	31.3
Loans and receivables at amortised cost	11,417.8	12,801.2	-	12,801.2	-
Receivables and other financial assets	1,012.4	1,012.4	254.0	758.4	-
Accrued interest and prepayments	494.1	494.1	317.1	176.9	0.1
Cash and cash equivalent	5,362.5	5,362.5	5,362.5	-	-
Assets held for sale	115.3	115.3	-	-	115.3
Total assets for own risk	60,981.3	62,382.4	38,312.4	23,396.0	673.9
Investments at policyholders' risk	15,272.4	15,272.4	14,230.5	957.0	85.0
Third party interests in consolidated investment funds	2,634.1	2,634.1	2,546.2	41.3	46.6
Total	**78,887.9**	**80,288.8**	**55,089.1**	**24,394.3**	**805.5**

Assets at 31 December 2015

In millions of euros	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Property and equipment	55.1	72.4	-	72.4	-
Investment property	1,052.2	1,052.2	-	953.9	98.3
Debt securities	28,342.1	28,342.1	28,072.2	235.6	34.3
Equity securities	2,169.3	2,169.3	1,338.3	435.3	395.7
Derivatives	1,675.9	1,675.9	2.1	1,525.9	147.9
Loans at fair value through profit or loss	5,235.9	5,235.9	-	5,209.4	26.5
Loans and receivables at amortised cost	10,676.9	11,972.1	-	11,972.1	-
Receivables and other financial assets	1,376.8	1,416.5	25.9	1,390.5	-
Accrued interest and prepayments	539.0	539.0	397.3	141.7	0.1
Cash and cash equivalent	2,503.4	2,503.4	2,503.4	-	-
Assets held for sale	29.2	29.2	-	-	29.2
Total assets for own risk	53,655.8	55,008.0	32,339.2	21,936.9	731.9
Investments at policyholders' risk	14,604.0	14,604.0	13,863.8	660.6	79.6
Third-party interests in investment funds	3,371.2	3,371.2	3,267.4	65.8	38.0
Total	**71,631.0**	**72,983.1**	**49,470.4**	**22,663.3**	**849.5**

Financial liabilities at 30 June 2016

In millions of euros	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Liabilities for investment contracts					
Liabilities for investment contracts designated at fair value	6,370.9	6,370.9	1,325.0	5,045.9	-
Liabilities for investment contracts at amortised cost	453.9	504.9	-	504.9	-
Total liabilities for investment contracts	6,824.8	6,875.8	1,325.0	5,550.7	-
Subordinated debt	1,355.2	1,357.6	1,139.4	218.2	-
Securitised mortgage loan notes					
Securitised mortgage loan notes designated at fair value	436.5	436.5	436.5	-	-
Securitised mortgage loan notes at amortised cost	2,158.5	2,177.9	1,667.4	510.5	-
Total securitised mortgage loan notes	2,594.9	2,614.4	2,103.9	510.5	-
Other borrowings					
Medium-term note	574.0	604.4	604.4	-	-
Commercial paper	170.0	170.0	170.0	-	-
Convertible loan	2.0	0.8	-	0.8	-
Total other borrowings	746.0	775.2	774.4	0.8	-
Derivatives	1,086.6	1,086.6	-	1,086.6	-
Customer savings and deposits	6,745.8	6,958.3	4,061.5	2,896.7	-
Other financial liabilities	279.2	279.2	-	279.2	-
Total financial liabilities for own risk	19,632.6	19,946.9	9,404.2	10,542.7	-
Investments at policyholders' risk	2.8	2.8	-	2.8	-
Third party interests in consolidated investment funds	2,634.1	2,634.1	-	2,634.1	-
Total	**22,269.5**	**22,583.9**	**9,404.2**	**13,179.6**	**-**

Financial liabilities at 31 December 2015

In millions of euros	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Liabilities for investment contracts					
Liabilities for investment contracts designated at fair value	5,839.7	5,839.7	1,147.6	4,692.0	-
Liabilities for investment contracts at amortised cost	464.8	506.1	-	506.0	-
Total liabilities for investment contracts	6,304.5	6,345.8	1,147.6	5,198.1	-
Subordinated debt	1,352.4	1,442.4	1,220.7	221.7	-
Securitised mortgage loan notes					
Securitised mortgage loan notes designated at fair value	468.8	468.8	468.8	-	-
Securitised mortgage loan notes at amortised cost	1,754.4	1,769.9	1,362.5	407.4	-
Total securitised mortgage loan notes	2,223.2	2,238.7	1,831.4	407.4	-
Other borrowings					
Medium-term note	573.7	609.7	609.7	-	-
Commercial paper	164.9	164.9	164.9	-	-
Convertible loan	2.0	0.8	-	0.8	-
Total other borrowings	740.5	775.3	774.6	0.8	-
Derivatives	991.9	991.9	-	991.9	-
Customer savings and deposits	5,063.0	5,269.4	2,310.9	2,958.5	-
Other financial liabilities	122.8	122.8	-	122.8	-
Total financial liabilities for own risk	16,798.3	17,186.4	7,285.2	9,901.1	-
Investments at policyholders' risk	21.7	21.7	-	21.7	-
Third party interests in consolidated investment funds	3,371.2	3,371.2	-	3,371.2	-
Total	**20,191.2**	**20,579.2**	**7,285.2**	**13,294.0**	**-**

The fair value of assets and liabilities is the amount 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 under the current market conditions. The way the fair value is established for each statement of financial position category is set out below.

Assets

Property and equipment, investment property and inventory of real estate projects

The fair value is assessed by qualified external appraisers, in compliance with international valuation standards published by the International Valuation Standards Committee and/or the regulations and standards in the valuation standards prescribed by the Royal Institution of Chartered Surveyors.

Desktop appraisals are performed every six months and full appraisals are carried out every three years. All investment properties in the Netherlands and Belgium were fully appraised at the end of 2015. Each appraisal is independently executed by two external appraisers. The main assumptions used in property appraisals are the current leases discounted by the gross initial yield. Also taken into account as assumptions are the best estimates of future renovations and maintenance and probability of vacancy, future rent discount and re-letting expectations.

The investment property of the Dutch residential portfolio and some of the owner-occupied properties are recognised under fair value level 2 because the property appraisals are based on observable data in active markets.

The fair value of equipment is not materially different from the carrying value. The carrying value is determined by historical cost less accumulated depreciation and impairment.

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 uses brokers' quotes. This category includes measurement based on Delta Lloyds own measurement models (for derivative financial instruments) and statements from fund managers (for private equity investments).

Loans at fair value through profit or loss and 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 issued 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 are risk-free interest rates (i.e. swaps), illiquidity/funding spreads (i.e. RMBS spreads) and an extra spread to incorporate additional market observable data (i.e. primary consumer pricing). Non-observable inputs include servicing cost, early repayment probabilities, credit spreads, and a solvency spread for future parameter uncertainty.

The loans included in each of the two different categories have similar characteristics. Therefore no separate categories are presented.

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

Liabilities for investment contracts

The fair value of the provision for non-participating investment contracts is initially established through the use of prospective discounted cash flow techniques. For unit-linked contracts, the value of the liability equals the fair unit fund value, plus additional provisions for guaranteed returns, if required. The fair value of discretionary participating investment contracts is the same as that for life insurance contracts.

Financial instruments (subordinated loans, medium-term notes, commercial paper, convertible loans)

The fair value of financial instruments presented at level 1 is recorded at the relevant market listing. The fair value of financial instruments recorded at level 2 is estimated by discounting future cash flows using the discount rate applicable for similar financial instruments at the reporting date.

Securitised mortgage loan notes

If the securitised mortgage loan notes are actively traded on the market, the quoted prices are used. If this is not the case, fair value is calculated by discounting the expected cash flows at the market interest rates.

Amounts owed to credit institutions

The fair value of amounts owed to credit institutions is not materially different from the carrying value.

Other borrowings and other financial liabilities

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

The tables below provide 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/other investments within level 3 at 30 June 2016

In millions of euros	Investment property	Debt securities	Equity securities	Derivatives	Loans at fair value through profit or loss	Accrued interest and prepayments	Investments at policyholders' risk	Third party interests in consolidated investment funds	Total
At 1 January	98.3	34.3	395.7	147.9	26.5	0.1	79.6	38.0	820.4
Additions	0.0	19.6	17.0	-	4.8	-	7.1	10.8	59.3
Disposals	-5.0	-23.6	-68.3	-1.9	-	-	-3.3	-2.1	-104.2
Changes in fair value recognised through equity	-	1.5	12.4	-	-	-	-	-	13.8
Changes in fair value recognised through profit and loss	0.4	-2.4	-	-2.7	-	-	1.6	-	-3.0
Transfer into level 3	-	19.4	-	-	-	-	-	-	19.4
Transfer to held for sale	-	-	-	-115.3	-	-	-	-	-115.3
At 30 June	**93.8**	**48.7**	**356.8**	**28.0**	**31.3**	**0.1**	**85.0**	**46.6**	**690.3**

Statement of changes in financial instruments/other investments within level 3 at 31 December 2015

In millions of euros	Investment property	Debt securities	Equity securities	Derivatives	Loans at fair value through profit and loss	Accrued interest and prepayments	Investments at policyholders' risk	Third party interests in consolidated investment funds	Total
At 1 January	576.4	18.7	1,009.0	163.3	14.8	-	64.6	0.3	1,847.1
Additions	6.9	23.0	39.5	13.0	11.7	0.1	30.4	37.7	162.3
Disposals	-482.8	-4.1	-590.0	-4.5	-	-	-14.4	-	-1,095.8
Changes in fair value recognised through equity	-	0.1	-40.5	-	-	-	-	-	-40.4
Changes in fair value recognised through profit and loss	-2.2	-3.4	6.9	-23.9	-	-	-1.0	-	-23.6
Transfer to held for sale	-	-	-29.2	-	-	-	-	-	-29.2
At 31 December	**98.3**	**34.3**	**395.7**	**147.9**	**26.5**	**0.1**	**79.6**	**38.0**	**820.4**

Derivatives transferred to held for sale remain in level 3. Equity securities transferred to held for sale in 2015 remained in level 3 and are disposed in the first half of 2016.

There were no transfers from level 2 to level 1 (year-end 2015: nil) and no transfers from level 1 to level 2 (year-end 2015: € 0.5 million).

Transfers from level 2 to level 3 amounted to € 18.5 million (year-end 2015: nil) and transfers from level 1 to level 3 amounted to € 0.9 million (year-end 2015: nil). Both transfers are related to debt securities and due to a decreased frequency of prices.

The total accumulated unrealised gains and losses on level 3 investments recognised in the income statement, which amount to € -45.4 million (year-end 2015: € -41.0 million), comprise gains and losses on investment property, debt securities, equity securities and financial assets at policyholders' risk and derivatives. These gains and losses are presented in the line item 'investment income' in the consolidated income statement.

The total accumulated unrealised revaluation of the investments on level 3 at 30 June 2016, which amounts to € 80.9 million (year-end 2015: € 91.7 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 consolidated statement of comprehensive income. The realised gains and losses are transferred to the income statement and presented as line item 'realised gains and losses on investments classified as available for sale'. The accumulated impairment of investments on level 3 held as available for sale at 30 June 2016 was € 119.8 million (year-end 2015: € 110.4 million). The impairment on the level 3 investments in 2016 is € 9.4 million (year-end 2015: € 7.7 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 millions of euros	Significant non-observable assumptions	Impact on result 30 June 2016	Impact on equity 30 June 2016	Impact on result 31 December 2015	Impact on equity 31 December 2015
Investment property	Property value + 10%	6.7	6.7	7.3	7.3
Investment property	Property value - 10%	-6.7	-6.7	-7.3	-7.3
Equity securities	Market spread + 10%	5.3	26.7	4.0	33.1
Equity securities	Market spread - 10%	-5.3	-26.7	-4.0	-33.1
Debt securities	Liquidity premium + 0.5%	0.1	0.2	0.3	0.3
Debt securities	Liquidity premium - 0.5%	-0.1	-0.2	-0.3	-0.3
Derivatives	Mortality +5%	-20.6	-20.6	-21.4	-21.4
Derivatives	Mortality -5%	17.3	17.3	19.4	19.4

Delta Lloyd adjusted the assumption pertaining to investment property values up or down by 10%, which is seen as a probable market change. The value of equity securities (private equity investments and private placements) is also calculated up or down by 10% because the underlying investments are highly diversified in terms of sector, type of investment and investment strategy. There is no one significant unobservable assumption or combination of assumptions that could be identified and used to perform a reasonably possible sensitivity analysis for this portfolio.

For derivatives, the sensitivity to changes in assumptions is relatively high. The table shows the impact of a 5% change in the mortality assumption on the longevity hedge.

2.8 Subsequent events

Delta Lloyd and Voogd & Voogd entered into a strategic alliance agreement on 8 July 2016. Voogd & Voogd will set up a new company to take care of the underwriting, administrative changes and claims handling of the personal general insurance products distributed for Delta Lloyd by independent financial advisors, authorised agents and brokers. Delta Lloyd will remain the risk carrier, while the new company to be set up will be the underwriting agent. This new entity will be active under the Delta Lloyd label and operate independently from Voogd & Voogd's other activities. It will start operating on 1 January 2017.

Since 27 July 2016 Delta Lloyd Levensverzekering invests, through a special purpose vehicle, in a portfolio of Dutch mortgages originated by Rabobank. The portfolio consists of individual residential mortgages with a total outstanding amount of € 500.0 million and an average loan-to-value ratio of 80%.

On 11 August 2016 Amstelhuys announced that it will repurchase mortgages from Arena 2011-II. As a result, Amstelhuys will facilitate the full redemption of all current outstanding notes (€ 530.4 million) on 19 September 2016.

Amsterdam, 16 August 2016

Executive Board

Hans van der Noordaa, Chairman
Clifford Abrahams
Ingrid de Graaf
Annemarie Mijer
Leon van Riet

Supervisory Board

Rob Ruijter, Chairman
Eric Fischer, Vice-chairman
André Bergen
Jan Haars
Fieke van der Lecq
John Lister
Paul Nijhof
Clara Streit

3 REVIEW REPORT

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

Introduction

We have reviewed the accompanying condensed consolidated interim financial report of Delta Lloyd N.V., Amsterdam, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' funds, the consolidated cash flow statement for the six-month period ended 30 June 2016, and the notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial report in accordance with IAS 34, "Interim Financial Reporting", as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial report based on our review.

Scope of review

We conducted our review in accordance with Dutch law including Standard 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Dutch auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial report for the six-month period ended 30 June 2016 is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting", as adopted by the European Union.

Amsterdam, 16 August 2016

Ernst & Young Accountants LLP

signed by J. Niewold

4 DISCLAIMER

Certain statements in this interim financial report 2016 that are not historical information are "forward-looking statements". These forward-looking statements are based on management's understanding and assumptions and on information currently available to them. Forward-looking statements usually use terminology such as 'targets', 'believes', 'expects', 'aims', 'assumes', 'intends', 'plans', 'seeks', 'will', 'may', 'anticipates', 'would', 'could', 'continues', 'estimate', 'milestone' or other words of similar meaning and similar expressions or the negatives thereof. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond Delta Lloyd's control and all of which are based on management's current understanding and expectations about future events.

Forward-looking statements involve inherent risks and uncertainties and apply only on the date they were made. Delta Lloyd does not undertake to update any of the forward-looking statements in light of new information or future events, except to the extent required by law. A number of significant factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement as a result of risks and uncertainties facing Delta Lloyd. Such risks, uncertainties and other significant factors include: (i) changes in the financial markets and general economic conditions, (ii) changes in competition from local, national and international companies, new entrants in the market and self-insurance and changes to the competitive landscape in which Delta Lloyd operates, (iii) the adoption of new, or changes to, existing laws and regulations such as Solvency II, (iv) catastrophes and terrorist-related events, (v) default by third parties owing money, securities or other assets on their financial obligations, (vi) equity market losses, (vii) long and/or short-term interest rate volatility, (viii) illiquidity of certain investment assets, (ix) flaws in underwriting assumptions, pricing and/or claims reserves, (x) the termination of or changes to relationships with principal intermediaries or partnerships, (xi) the unavailability and/or unaffordability of reinsurance, (xii) flaws in Delta Lloyd's underwriting, operating controls or IT systems, or a failure to prevent fraud, (xiii) a downgrade (or potential downgrade) of Delta Lloyd's credit ratings, (xiv) the outcome of pending, threatened or future litigation or investigations, (xv) changes affecting longevity, mortality, morbidity, persistence and other factors that may impact the profitability of the insurance products of Delta Lloyd, and (xvi) the effect of Solvency II requirements and other regulations affecting the capital Delta Lloyd is required to maintain.

Please also refer to the 2015 Annual Report for a description of factors, risks and uncertainties that could affect the business of Delta Lloyd.

The figures and tables in this interim financial report 2016 are unaudited but have been reviewed by the auditor.