2018 Solvency and Financial Condition Report

Delta Lloyd Levensverzekering N.V.

delta lloyd

Content Solvency II

Solvency and Financial Condition Report

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Summary

Summary

Delta Lloyd Levensverzekering's approach to the Solvency and Financial Condition Report

This Solvency and Financial Condition Report ('SFCR') provides public quantitative and qualitative disclosures for Delta Lloyd Levensverzekering N.V. (Delta Lloyd Levensverzekering) on Solvency II as required by the Solvency II legislation. Delta Lloyd Levensverzekering already discloses most of the information that is required to be included in the SFCR in its 2018 Annual Report ('Annual Report'). In order to ensure the most transparent and user-friendly approach, the information that is already included in the Annual Report is not duplicated in this SFCR. Therefore, this SFCR is prepared as a supplement to Delta Lloyd Levensverzekering's Annual Report. It includes all information required to be disclosed in the SFCR, either through a specific reference to the Annual Report or as supplemental information.

As required by the Delegated Regulation (EU) 2015/35/Annex XX "Structure of the Solvency and Financial Condition Report and Regular Supervisory Report", this SFCR follows the required standard chapter layout. The subjects addressed are based on Directive 2009/138/EC/ and (amended) Directive 2014/51/EU section 3 – Public Disclosures (articles 51-56), Delegated Regulation (EU) 2015/35 and (amended) Delegated Regulation (EU) 2016/467 chapter XII Public Disclosures (articles 292-298). Furthermore, the figures presented in this report are in line with the supervisor's reported Quantitative Reporting Templates ('QRTs').

Delta Lloyd Levensverzekering is required to submit the so-called Quantitative Reporting Templates to its supervisor Dutch Central Bank ('DNB'). A subset of these QRTs, which are required to be publicly disclosed and which provide quantitative information in accordance with Solvency II as at 31 December 2018, are included in the appendix to this SFCR.

The amounts disclosed in this SFCR are consistent with the amounts in the Annual Report, in thousands of euros unless stated otherwise. To comply with the Solvency II legislation, the amounts in the QRTs are in thousands of euros.

The Solvency ratio, as well as the amounts disclosed in this SFCR are not final until filed with the regulators.

Chapter A 'Business and performance' describes the overall business profile and structure of Delta Lloyd Levensverzekering. It also provides insight into the underwriting and investment performance of Delta Lloyd Levensverzekering. Chapter B 'System of governance' explains the organisational governance structure and looks into the role and execution of key Solvency II functions. Chapter C 'Risk profile' analyses Delta Lloyd Levensverzekering's exposure to financial and non-financial risks and explains the risk mitigation techniques in place. Chapter D 'Valuation for group solvency purposes' elaborates on the differences in presentation and measurement of balance sheet elements between Solvency II and International Financial Reporting Standards ('IFRS'). Chapter E 'Capital management' discusses the composition of Available and Eligible Own Funds and the calculation of the Solvency Capital Requirement ('SCR').

Material changes in 2018

On 5 December 2018, NN Group announced that it received approval from DNB to apply the Partial Internal Model under Solvency II to include Delta Lloyd Levensverzekering. Up to this point, Delta Lloyd Levensverzekering reported on the Standard Formula. The approved Partial Internal Model is used to calculate regulatory capital requirements effective 31 December 2018.

On 13 December 2018, NN Group announced that it obtained approval from DNB to execute the legal merger of Delta Lloyd Levensverzekering into Nationale-Nederlanden Levensverzekering Maatschappij N.V. (NN Leven). The legal merger became effective on 1 January 2019. As a result, NN Leven assumed all assets and liabilities of Delta Lloyd Levensverzekering, including its subordinated notes of EUR 500 million. This legal merger has no impact in 2018.

Eligible Own Funds

Solvency II requires to hold Eligible Own Funds for covering Solvency Capital Requirement. The Eligible Own Funds are classified in three tiers depending on whether the own fund items are available considered to absorb losses on a going concern basis and/ or in the case of winding-up as prescribed in the Solvency II Legislation. Tier 1 Own Fund items are the highest grade capital and Tier 3 Own Funds are the lowest grade capital.

Eligible Own Funds

In EUR thousand	2018	2017
Tier 1 (restricted and unrestricted)	2,280,293	1,812,010
Tier 2	537,726	538,130
Tier 3	256,058	256,279
Total Eligible Own Funds	**3,074,078**	**2,606,419**

The Eligible Own funds have increased by EUR 468 million. This increase in Own Funds results from a lower (around 10 bps) swap curve, which increases the value of the assets and an increase in the volatility adjustment from 4 bps as per year-end 2017 to 24 bps as per year end 2018, which lowers the Best Estimate Liabilities. A positive impact of the market variance over the year, which is partly offset by the impact of model and assumption changes, contributes to the higher Eligible Own Funds as well.

Impact of long term guarantees and transitional measures

The quantification of the impact of a change to zero of the volatility adjustment on Delta Lloyd Levensverzekering's Solvency capital ratio – represented by an adjustment on the amount of technical provisions, the SCR, the Basic Own Funds and the Eligible Own Funds is included in the paragraph 'Matching and volatility adjustment, transitional measures and transitional risk-free interest rate term structure' in Section D.2 and QRT S.22.01.21 'Impact of long term guarantees and transitional measures' in the Appendix.

Solvency Capital Requirement

Delta Lloyd Levensverzekering applies the Partial Internal Model ('PIM') approved by DNB to measure SCR.

Solvency Capital Requirement

In EUR thousand	2018 (PIM)	2017 (SF[1])
Market risk	792,745	1,195,054
Counterparty default risk	30,370	375,134
Non-Market Risk	1,679,970	1,188,342
Diversification	-511,493	-724,286
Operational risk	147,511	150,708
Loss-absorbing capacity of deferred taxes	-432,046	-476,427
Total Solvency Capital Requirement	**1,707,055**	**1,708,526**
DL Life SCR	180%	153%

The breakdown of all the SCR risk types, up to and including operational risk, and explanations for the most important changes in the risk profile over the year of 2018 are presented in in the coming sections. The loss-absorbing capacity of deferred taxes (LACDT) is not a risk itself and the benefit decreased mainly due to the lower corporate tax rates (reference is made to section 2.7.28 Income taxes of the Annual Report Delta Lloyd Levensverzekering). This effects the ratio on PIM with -10% (due to a EUR 87 million higher SCR). This was partially offset by the higher return assumptions and updating the effective tax percentage calculation methodology.

Delta Lloyd Levensverzekering's Solvency II Capital ratio

The following table presents the solvency ratio of Delta Lloyd Levensverzekering at year-end 2018 (and reported at year-end 2017).

Solvency ratio

In EUR thousand	2018 (PIM)	2017 (SF)
Eligible Own Funds (EOF)	3,074,078	2,606,419
Minimum Capital Requirement (MCR)	741,853	726,636
Solvency Capital Requirement (SCR)	1,707,055	1,708,526
Surplus	**1,367,022**	**897,893**
Ratio (%) (EOF/SCR)	**180%**	**153%**

Delta Lloyd Levensverzekering was adequately capitalised at year-end 2018. The Solvency II ratio of Delta Lloyd Levensverzekering increased from 153% to 180%.

[1] Standard Formula

Business and performance

A. Business and performance

Introduction

This chapter of the SFCR contains general information on Delta Lloyd Levensverzekering, a simplified group structure and Delta Lloyd Levensverzekering's financial performance over 2018.

A.1 Business

General

Reference is made to the section 'NN Group and Delta Lloyd Levensverzekering at a glance' in the 2018 Annual Report of Delta Lloyd Levensverzekering for the legal form of Delta Lloyd Levensverzekering and Delta Lloyd Levensverzekering's position within the legal structure of NN Group.

The supervisory authority responsible for financial supervision of Delta Lloyd Levensverzekering:

Dutch Central Bank
Westeinde 1
1017 ZN Amsterdam
The Netherlands

The contact details of Delta Lloyd Levensverzekering's external auditor are:

W. Teeuwissen RA
KPMG Accountants N.V.
Papendorpseweg 83
3528 BJ Utrecht
The Netherlands

Information on the appointment of the external auditor is included in the section 'Corporate governance- External auditor' in the 2018 Annual Report of Delta Lloyd Levensverzekering.

Qualifying holdings

A 'qualifying' holding is a direct or indirect holding in Delta Lloyd Levensverzekering which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that undertaking.

As of 1 April 2018, Delta Lloyd Levensverzekering is a fully owned subsidiary of Nationale-Nederlanden Nederland B.V. which in turn is a fully owned subsidiary of NN Insurance Eurasia N.V. NN Insurance Eurasia N.V. is fully owned by NN Group.

As at 31 December 2018, there were no holders of qualifying holdings in Delta Lloyd Levensverzekering.

Material lines of business and related undertakings

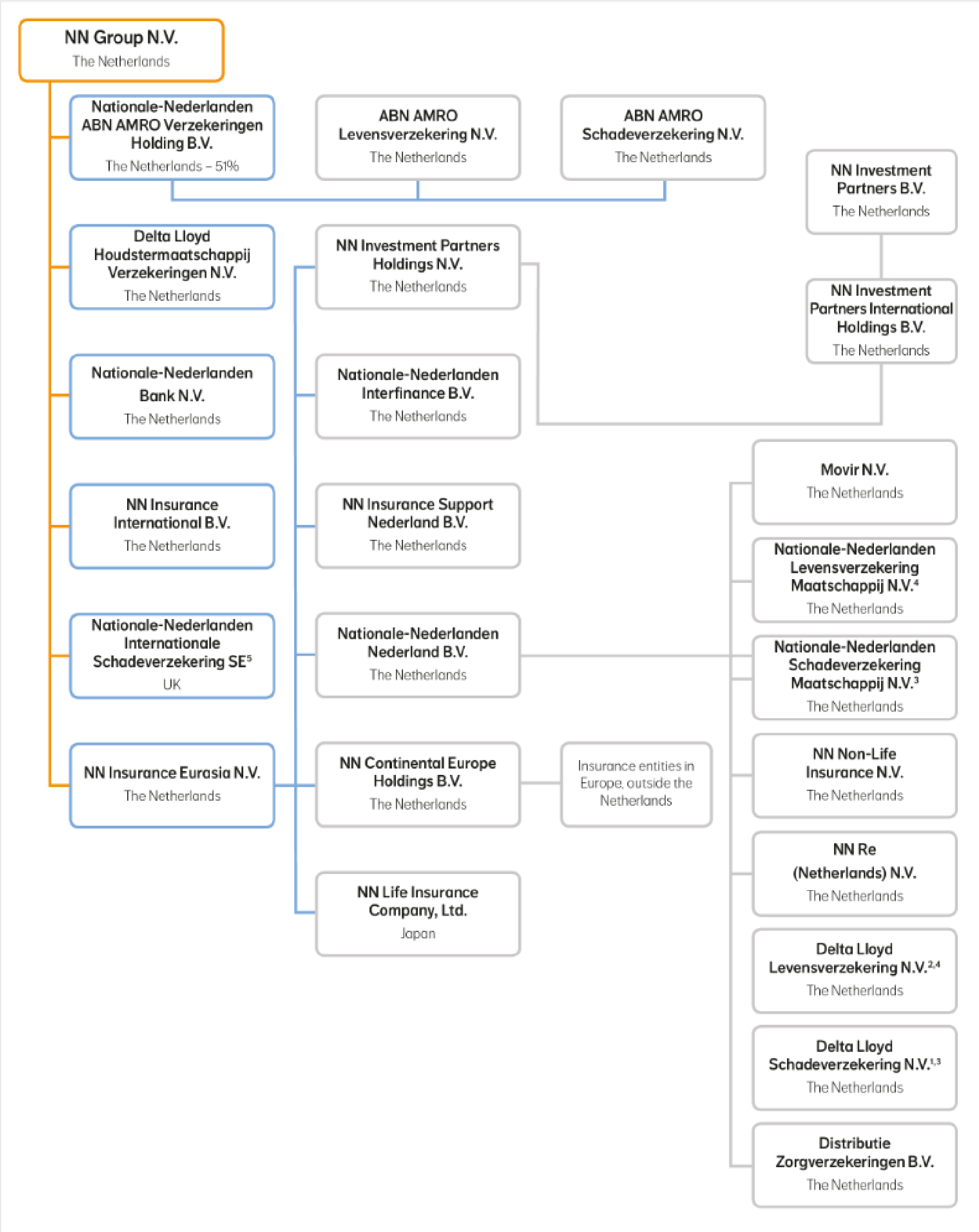
Reference is made to section 'NN Group and Delta Lloyd Levensverzekering at a glance' and section 'Report of the Management Board' in the 2018 Annual Report of Delta Lloyd Levensverzekering for more information on the material lines of business of Delta Lloyd Levensverzekering.

For information on any significant business events or other events that have occurred over the reporting period reference is made to section 'Report of the Management Board- Financial developments' in the 2018 Annual Report of Delta Lloyd Levensverzekering and note 2.7.36 'Other events' in the 2018 Financial statements of Delta Lloyd Levensverzekering.

Reference is made to Note 2.9.3 'Participating interests' in the 2018 Financial statements of Delta Lloyd Levensverzekering for a list of material related undertakings. Reference is made to the section 'Corporate governance' of the 2018 Annual Report of Delta Lloyd Levensverzekering for information on the governance and organisational structure of Delta Lloyd Levensverzekering.

Business and performance Continued

Simplified group structure
The simplified group structure as at 31 December 2018 is as follows:



1 As of 1 March 2018, Delta Lloyd Schadeverzekering N.V. was transferred to Nationale-Nederlanden Nederland B.V.
2 As of 1 April 2018, Delta Lloyd Levensverzekering N.V. was transferred to Nationale-Nederlanden Nederland B.V.
3 As of 1 January 2019, Delta Lloyd Schadeverzekering N.V. ceased to exist as a result of the legal merger with Nationale-Nederlanden Schadeverzekering Maatschappij N.V.
4 As of 1 January 2019, Delta Lloyd Levensverzekering N.V. ceased to exist as a result of the legal merger with Nationale-Nederlanden Levensverzekering Maatschappij N.V.
5 On 16 November 2018 NN Group agreed on the sale of Nationale-Nederlanden Internationale Schadeverzekering SE.

A.2 Underwriting Performance (see A.3 below)

A.3 Investment Performance
The investment return of Delta Lloyd Levensverzekering consists of cash and stock dividends, interest and rental income receivable for the year, fair value changes in investments through profit or loss, impairment charges on available-for-sale investments, impairment charges on loans and receivables at amortised cost and book gains and losses on the sale of investments. Dividends on investments in equity securities

are recorded as revenue on the ex-dividend date. Interest income is recognised as it accrues, taking into account the effective interest rate of the investment. It includes interest income as a result of interest rate differentials on forward foreign exchange contracts. Rental income is recognised based on the elapsed rental period. For the underwriting performance, reference is made to QRT S.05.01.02 'Premiums, claims and expenses by line of business' in the Appendix.

Further reference is made to Note 2.7.4 'Details of income' in the 2018 Financial statements of Delta Lloyd Levensverzekering for information on income and expenses arising from investments by asset class and the components of such income and expenses.

Gains and losses on investments recognised directly in equity are disclosed in Note 2.7.21 'Revaluation reserves' and in the Consolidated statement of comprehensive income in the 2018 Financial statements of Delta Lloyd Levensverzekering.

Information on investment in securitisations is included Note 2.7.14 'Debt and equity securities' in the 2018 Financial statements of Delta Lloyd Levensverzekering. Most of the investments in securitisations issued by third parties relate to debt instruments of structured entities regarding asset-backed securities classified as loans.

A.4 Performance of other activities

Other material income and expenses incurred over 2018 are disclosed in note 2.7.4-2.7.7 in the 2018 Financial statements of Delta Lloyd Levensverzekering and the section 1 'Report of the Management Board- Financial development' in the 2018 Annual Report of Delta Lloyd Levensverzekering.

A.5 Any other information

Reference is made to section 1 'Report of the Management Board- Financial development' in the 2018 Annual Report of Delta Lloyd Levensverzekering.

System of governance

B. System of governance

Introduction

This chapter of the SFCR contains information on the system of the governance of Delta Lloyd Levensverzekering in line with the governance information included in the 2018 Annual Report of Delta Lloyd Levensverzekering. The additional information includes relevant committees of the Management Board (hereafter 'MB'), a description of the main roles and responsibilities of the key functions and Delta Lloyd Levensverzekering's approach to the 'fit and proper' requirements and Own Risk and Solvency Assessment.

B.1 General information on the system of governance

This chapter describes the structure of the committees, and explains the responsibilities, members and interdependencies of each committee.

This chapter also sets out the governance and control framework effective in 2018.

Structure of governance and changes in system of governance

For a description of the structure of NN Group's administrative, management and supervisory body, reference is made to the Corporate Governance section and the Report of the Supervisory Board, both included in the NN Group 2018 Financial Report and to the NN Group website: https://www.nn-group.com/Who-we-are/Corporate-governance/Corporate-governance.htm. These sources also describe the main roles and responsibilities of these bodies, provide a brief description of the segregation of responsibilities within these bodies and describe their relevant committees.

During 2018, Delta Lloyd Levensverzekering splitted the Model Committee into two Model Committees, one for Pricing models and one for Risk models. Next to that no material changes in the system of governance were made.

Management Board committees

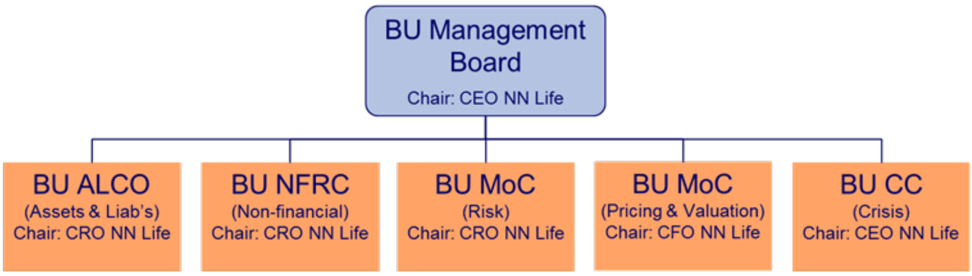
The MB of Delta Lloyd Levensverzekering is responsible for defining, installing, and monitoring the risk management organisation in order to ensure its control systems are effective.[2]

The MB, or its (sub) committees, approves all risk management policies as well as the quantitative and qualitative elements of Delta Lloyd Levensverzekering's risk appetite. The Board reports and discusses these topics with the Supervisory Board, on a regular basis.

While the Board retains responsibility for risk management, it has delegated certain responsibilities to committees which are responsible for day-to-day risk and finance related management decision-making, processes and controls. The following committees are in place:

- the Asset & Liability Committee
- the Non-Financial Risk Committees
- the Model Committees[3] and the Crisis Committee

Representation in the various committees is provided from the relevant risk departments.



Crisis Committee

The main scope and responsibility of the Crisis Committee ('CC') is handling financial and non-financial crisis situations as defined by the MB of Delta Lloyd Levensverzekering. The Crisis Committee meets on an ad-hoc basis, but at least twice per year, face-to-face. The Crisis Committee is chaired by the Chief Executive Officer ('CEO') of Delta Lloyd Levensverzekering.

Asset and Liability Committee

The Delta Lloyd Levensverzekering Asset and Liability Committee ('ALCO') oversees the activities and market risks related to investments and the matching of assets and liabilities at Delta Lloyd Levensverzekering level. The Delta Lloyd Levensverzekering ALCO has decision making authorities that are delegated from the Delta Lloyd Levensverzekering MB. Further, the Delta Lloyd Levensverzekering ALCO is

2 The MB of Delta Lloyd Levensverzekering is combined with the MB of NN Life, further reference is made to the graphic representation in page 11.

3 During 2018, Delta Lloyd Levensverzekering splitted the Model Committee into two Model Committees, one for Pricing models and one for Risk models. Next to that no material changes in the system of governance were made.

System of governance Continued

responsible for approving decisions taken by the MB. The ALCO and/or -management board remain responsible for these decisions. For this reason the ALCO can only approve or decline proposals and request amendments. The ALCO and MB are required to inform the NN Group ALCO about any deviations from the requested amendments including a justification of their decision. The Asset and Liability Committee is chaired by the Chief Risk Officer ('CRO') of Delta Lloyd Levensverzekering.

Reference is also made to Note 2.7.1 'Risk management - Risk management structure and governance system' in the 2018 Financial statements of Delta Lloyd Levensverzekering.

Authority, resources and operational independence of key functions

The key functions are positioned independently from the business (2nd line). These functions have, including but not limited to, strong hiring, career development and succession planning, appraisal as well as termination of employment rights to ensure adequate resources, and to allow them to act independently and with authority.

The sections below further describe how the key functions have the necessary authority, resources and operational independence to carry out their tasks and how they report to and advise the MB of Delta Lloyd Levensverzekering.

Roles and responsibilities of key functions

Delta Lloyd Levensverzekering has organised its Solvency II key functions (Risk Management, Internal Audit, Compliance and Actuarial Function) in accordance with the applicable Solvency II regulations. All key function holders within Delta Lloyd Levensverzekering have passed the DNB's fit and proper test. The Solvency II key functions are able to carry out their duties objectively and free from undue influence, and do not simultaneously perform conflicting activities. They all have been given an appropriate standing in the organisation and can report relevant findings directly to the Board.

Risk function

The risk function is a Solvency II key function within Delta Lloyd Levensverzekering.

Role

The Chief Risk Officer of Delta Lloyd Levensverzekering is the Head of the Risk function and is entrusted with the day-to day responsibility for Delta Lloyd Levensverzekering's risk management function. The CRO steers an independent risk organisation which supports the first line in their decision making, but which also has sufficient countervailing power to prevent excessive risks. The CRO must ensure that both the Management Board and the Supervisory Board are at all times informed of, and understand the material risks to which NN Group is exposed. To ensure that the risk responsibilities of the CRO can be executed in an independent manner, the direct reports of the CRO are split into dedicated first line and second line teams.

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

Responsibilities

Within the MB, the risk management responsibilities of the CRO are:

- Setting and monitoring compliance with NN Group's overall risk policies
- Formulating and communicating Delta Lloyd Levensverzekering's risk management strategy and ensuring that it is implemented throughout the organisation
- Supervising the operation of Delta Lloyd Levensverzekering's risk management and business control systems
- Reporting Delta Lloyd Levensverzekering's risks, as well as the processes and internal business controls
- Making risk management decisions with regard to matters which may have an impact on the financial results of Delta Lloyd Levensverzekering or its reputation, without limiting the responsibility of each individual Management Board and Executive Board member in relation to risk management.

Compliance function

The compliance function is a Solvency II key function within Delta Lloyd Levensverzekering.

Role

To effectively manage Business conduct risk, Delta Lloyd Levensverzekering has put in place a Compliance function which is headed by a Chief Compliance officer ('CCO') with delegated responsibility for day-to-day management of the Compliance function. The Compliance function is positioned independently from the business it supervises. This independent position is -amongst others- warranted by independent reporting, unrestricted access to senior management as well as structural, periodic meetings of the CCO with the CEO and the Chairman of the Risk Committee of the Supervisory Board.

Responsibilities

System of governance Continued

Within Delta Lloyd Levensverzekering's broader risk framework, the purpose of the Compliance function is to:

- Understand and advocate the rules, regulations and laws and the effective management of Compliance risk; proactively work with and advise the business to manage Business Conduct risk throughout our products' life cycle and our business' activities to meet stakeholder expectations
- Develop and enhance the Compliance Framework to strengthen the three lines of defence to detect, communicate, manage and to report and manage Compliance Risks in order to limit surprises
- Support Delta Lloyd Levensverzekering's strategy by establishing clear roles and responsibilities to help embed good compliance risk management practice throughout the business by using a risk-based approach to align business outcomes with Delta Lloyd Levensverzekering's risk appetite
- Deepen the culture of compliance by partnering with the business to increase the culture of trust, accountability, transparency and integrity in evaluating and managing Compliance risk.

The Local Compliance Officer ('LCO') must hierarchically report to the CEO or to the Head of Legal. If local level management has legitimate and specific reasons to deviate from this governance model and would like to change the hierarchical reporting line of the LCO to another member of the board, prior approval must be obtained from the General Counsel.

Internal audit function
The Corporate Audit Services NN Group ('CAS') is also a Solvency II key function within Delta Lloyd Levensverzekering. For a description of this function, its role and responsibilities and implementation in the Delta Lloyd Levensverzekering structure, reference is made to section B.5.

Actuarial function
The Actuarial function is a Solvency II key function within Delta Lloyd Levensverzekering. For a description of this function, its role and responsibilities and implementation in the Delta Lloyd Levensverzekering structure, reference is made to section B.6.

For further details regarding the Solvency II key functions reference is made to Note 2.7.1 'Risk management – Operating Model' in the 2018 Financial statements of Delta Lloyd Levensverzekering.

Remuneration
Reference is made to Note 19 'Staff expenses' and Note 31 'Key management personnel compensation' as disclosed in the 2018 Consolidated Annual accounts of Delta Lloyd Levensverzekering for information on the remuneration policy and practices regarding administrative, management and supervisory bodies and employees. Other information on remuneration is disclosed on NN Group's website: https://www.nn-group.com/Who-we-are/Corporate-governance/Remuneration.htm.

Reference is made Note 2.7.6 'Employee information' for explanation on the share based plans and to Note 2.7.7. 'Remuneration of the Management Board and Supervisory Board' as disclosed in the 2018 Financial statements of Delta Lloyd Levensverzekering for information on the remuneration policy and practices regarding administrative, management and supervisory bodies and employees.

Transactions with related parties
Reference is made to Note 2.7.36 'Related party transactions' and Note 2.7.7 'Remuneration of the Management Board and the Supervisory Board' in the 2018 Financial statements of Delta Lloyd Levensverzekering for information about material transactions during the reporting period. Section B.7 in this SFCR contains more information on intra-group outsourcing arrangements. Transactions with people who exercise a significant influence on Delta Lloyd Levensverzekering and with members of the Management Board and Supervisory Board are disclosed in Note 2.7.7 'Remuneration of the Management Board and the Supervisory Board' in the 2018 Financial statements of Delta Lloyd Levensverzekering.

Adequacy of system of governance
The assessment of the adequacy of the system of governance of Delta Lloyd Levensverzekering to the nature, scale and complexity of the risks inherent to its business is disclosed in Note 2.7.1 'Risk management - Risk management structure and governance system' in the 2018 Financial statements of Delta Lloyd Levensverzekering.

Consistent use of risk management, internal control systems and reporting procedures
Reference is made to Note 2.7.1 'Risk management', subparagraphs 'Risk Control Cycle', 'Risk Assessment & Control' and 'Risk Monitoring' in the 2018 Financial statements of Delta Lloyd Levensverzekering for a description of how the risk management and internal control systems and reporting procedures are implemented consistently throughout Delta Lloyd Levensverzekering.

B.2 Fit and proper requirements
For a description of Delta Lloyd Levensverzekering's specific requirements concerning skills, knowledge and expertise applicable to the persons who manage Delta Lloyd Levensverzekering, reference is made to Note 2.7.1 'Risk management', subparagraphs 'Risk Management Structure and Governance System' and 'Operating Model' in the 2018 Financial statements of Delta Lloyd Levensverzekering. Requirements concerning skills, knowledge and expertise applicable to people who have other key functions, are included in the respective job profiles.

In accordance with the NN Group Governance Manual and applicable HR policies, the persons who effectively run Delta Lloyd Levensverzekering and the persons fulfilling key functions should be fit and proper. During recruitment all candidates must have the

System of governance Continued

professional qualifications, knowledge and experience that are required for sound and prudent management ('fit') and be of good reputation and have integrity ('proper'). Where applicable the candidates must pass the DNB or AFM fit and proper test.

All persons holding key functions are assessed against their performance objectives, leadership behaviours and any other requirements from their job profiles during the annual performance cycle and specifically during the year-end appraisal.

B.3 Risk management system including the own risk and solvency assessment

Description of Delta Lloyd Levensverzekering 's risk management system

Reference is made to Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Levensverzekering for a description of the risk management system comprising of strategies, processes and reporting procedures, and how Delta Lloyd Levensverzekering is able to effectively identify, assess, monitor, manage, and report, on a continuous basis, the risks to which Delta Lloyd Levensverzekering is or could be exposed on an individual and aggregated level. In the same note, a description is included on how the risk management system including the risk management function are implemented and integrated into the organisational structure and decision-making process of Delta Lloyd Levensverzekering.

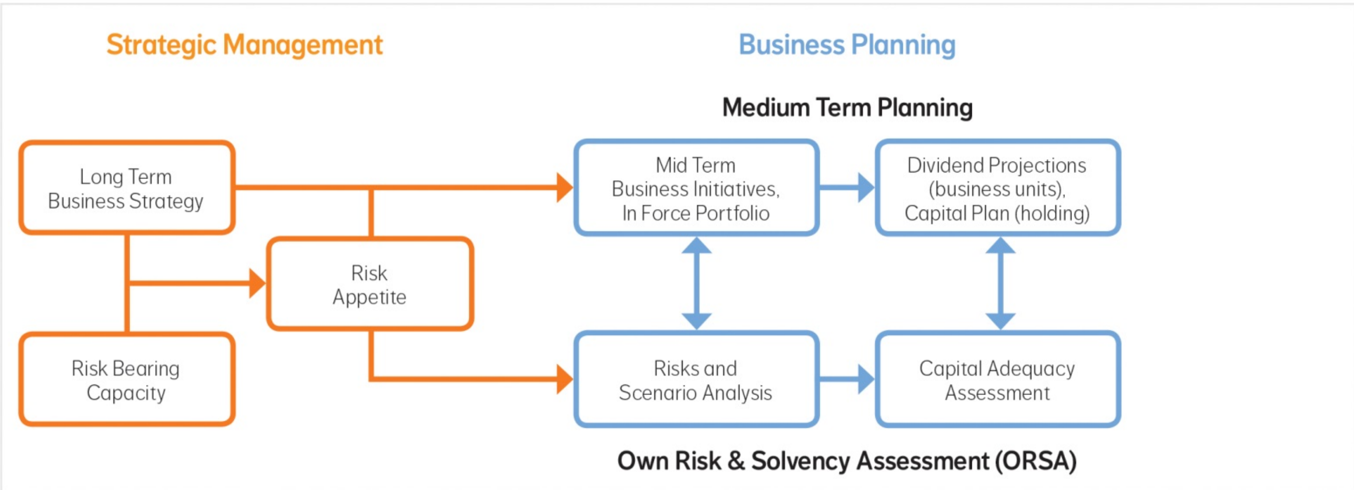
Own Risk and Solvency Assessment

Business strategy and objectives, key risk appetite statements, risk and capital management are aligned in the Own risk and Solvency Assessment ('ORSA') in synchronisation with the yearly medium-term business plan. The ORSA report supports the MB in assessing the overall risk and capital profile of the business under a wide range of scenarios.

The ORSA is defined as the entirety of the processes and procedures employed to identify, assess, monitor, manage and report the short and long term risks an insurance legal entity as Delta Lloyd Levensverzekering faces or may face and to determine the own funds necessary to ensure that the entity's overall solvency needs are met at all times. In particular, the ORSA:

- Is a specific instrument within Delta Lloyd Levensverzekering's risk management system: it is a high level forward looking analysis on capital adequacy under a wide range of scenarios based on the current and emerging risk profile of an entity, given its strategy and risk appetite
- Does not serve to calculate the capital requirement, although capital add-ons can be considered as a result of the ORSA
- Is an integral part of business planning.

As such, the ORSA is linked to the strategic management process and related decision-making framework as illustrated below:



Regular frequency

Delta Lloyd Levensverzekering prepares an ORSA at least once a year. In the ORSA, Delta Lloyd Levensverzekering articulates its strategy and risk appetite; describes its key risks and how they are managed; analyses whether or not its risks and capital are appropriately modelled; and evaluates how susceptible the capital position is to shocks through stress testing and scenario testing. Stress testing examines the effect of exceptional but plausible scenarios on the capital position of Delta Lloyd Levensverzekering. Stress testing can also be initiated outside ORSA, either internally or by external parties such as DNB and the European Insurance and Occupational Pensions Authority ('EIOPA').

Monitoring between regular ORSAs: possible ad-hoc ORSA

To the extent necessary, outcomes of the ORSA are translated in ad-hoc ORSA triggers (i.e. events that lead to a significant shock in the risk profile and/or capital position), risk metrics and management actions for identified material risks. Monitoring of ad-hoc ORSA triggers and risk metrics is performed as part of the regular Finance & Risk control cycle. Developments are documented in internal Finance & Risk reports and discussed during board and/or delegated committee meetings. The CRO within Delta Lloyd Levensverzekering is responsible for identifying the need of a (partial) ad-hoc ORSA. Head Office will be informed as soon as possible when the decision for a(n) (partial) ad-hoc ORSA is made. In such cases, DNB is also informed.

System of governance Continued

The regular ORSA process as undertaken within Delta Lloyd Levensverzekering

Strategy and risk appetite

A thorough assessment of strategy is done once a year or when material developments in the (external or internal) environment give rise to an earlier re-assessment. Yearly assessments are made in the first half of the year whether to adjust the strategy for developments in the past year and/or revised assumptions on the future. Setting (and adjusting) the risk appetite is inextricably part of strategy setting (and adjusting).

Risk Assessment

Key to the ORSA is the identification of potentially solvency threatening risks, given the strategy and risk appetite. Basis for this risk assessment is Delta Lloyd Levensverzekering's risk taxonomy. Modelled risks are subject to an appropriateness test (see below) and additional statistical stress testing (see below), both contributing to adequate capitalisation of these risks. Focus is therefore on non-modelled risks.

Appropriateness test of regulatory capital calculation

The assumptions and models for calculating regulatory solvency requirements are assessed against the actual risk profile. Differences are analysed in terms of future model improvements and/or non-modelled risks. The outcome of the analysis may lead to mitigating actions to overcome model shortcomings. If the deviations or uncertainties are considered material, quantification of the deviation is necessary in order to consider a (temporary) self-imposed capital add-on.

Capital projections

The projection basis is consistent with the best-estimate assumptions and parameters used for the Business Plan best estimate financial forecasts, among others the yearly updated Macro Economic Scenario. Expected regulatory developments (like a decrease in Ultimate Forward Rate level) are included in the Capital projections.

The Actuarial Function Holder is to confirm that the base-case and projected technical provisions represent a true and fair view of future liabilities. The Actuarial Function Holder also provides input concerning the risks arising from the calculation of technical provisions.

Regulatory solvency is at the heart of the ORSA: Delta Lloyd Levensverzekering must ensure that it is able to meet the regulatory required solvency ratio at all times. In addition, Delta Lloyd Levensverzekering assesses:

- The quantity and quality of Own Funds over the Business Plan period;
- The composition of Own Funds across tiers and how this composition may change as a result of redemption, repayment and maturity dates during the Business Plan period.

Stress testing and overall assessment of capital adequacy

Based on the Business Plan and the outcomes of the ORSA risk assessment, (reverse) stress scenarios and their parameters are developed and documented. The MB is responsible for identifying the key uncertainties and the related scenarios.

Scenario testing, as well as (reverse) stress testing is required for each ORSA. When the outcomes of performed stress tests show solvency ratios dropping below 100%, realistic strategies for recovering the solvency ratio will be considered and documented in the ORSA report. A capital downstream can only be considered if there is no other feasible management option left.

Ultimately, after the assessments and considerations (including formulated management actions) the ORSA is to conclude whether, going forward, Delta Lloyd Levensverzekering is adequately capitalised under a wide range of scenarios over the planning horizon.

Governance of Delta Lloyd Levensverzekering's Partial Internal Model

For the model governance and validation process, reference is made to Note 2.7.1 'Risk management' in the 2018 Consolidated annual accounts of Delta Lloyd Levensverzekering.

Model Validation

The model governance and the model validation department aim to ensure that Delta Lloyd Levensverzekering's models are fit for their intended purpose. Models and their disclosed metrics are approved by the Model Committee. The findings of the model validation department are also reported to the Model Committee via regular validations. This committee is responsible for modelling policies, processes, methodologies and parameters which are applied within Delta Lloyd Levensverzekering. Furthermore, the model validation department carries out validations of risk and valuation models particularly those related to Solvency II. Any changes to models that affect Delta Lloyd Levensverzekering risk figures above a certain materiality threshold are presented to one of the Model Committees.

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

System of governance Continued

The validation cycle is based on a five-year period. This means that at least once every five years a model in scope will be independently validated. In general, the validation frequency relates the relative materiality of the models in scope. In addition, reference is also made for more detail to Note 2.7.1 'Risk management' in the 2018 Consolidated annual accounts of Delta Lloyd Levensverzekering.

Changes in the governance of NN Group's Partial Internal Model

On 5 December 2018, NN Group announced that it received approval from DNB to expand the Partial Internal Model under Solvency II to include Delta Lloyd Levensverzekering. The Partial Internal Model is used to calculate regulatory capital requirements effective as at 31 December 2018.

B.4 The Internal control system and compliance function

Reference is made to Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Levensverzekering for a description of the implementation of the internal control system and compliance function.

B.5 Internal audit function

Reference is made to Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Levensverzekering for a description of the implementation of the internal audit function.

B.6 Actuarial function

Reference is made to Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Levensverzekering for a description of the implementation of the actuarial function.

B.7 Outsourcing

Delta Lloyd Levensverzekering has outsourced part of its operational and IT processes to external service providers. In the normal course of business, Delta Lloyd Levensverzekering enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Related parties of Delta Lloyd Levensverzekering include, amongst others, its associates, shared service centres, joint ventures, key management personnel and the defined benefit and contribution plans.

Delta Lloyd Levensverzekering has internal policies ensuring that a formal written agreement is in place with the service provider, covering the relevant business and financial risks. Delta Lloyd Levensverzekering has an identified number of improvement actions which are closely monitored by the management of Delta Lloyd Levensverzekering to ensure maintaining adequate control over outsourcing activities. Next to that no possible significant provisions for doubtful debts or individually significant bad debt expenses may be missing on outstanding balances with related parties during the integration with Delta Lloyd Levensverzekering.

There are no significant provisions recognised for doubtful debts or individually significant bad debt expenses on outstanding balances with these providers.

For these external outsourcing arrangements written service level agreements are in place, setting out:

- The mutual rights and obligations of the parties
- The duties and responsibilities of all parties involved
- The Service Provider's commitment to comply with applicable local laws and regulatory requirements, applicable to the outsourced function or activity and to cooperate with the Outsourcing Entity's relevant supervisory authority with regard to the outsourced function or activity
- The Service Provider's obligation to disclose any development which may have a material impact on its ability to carry out the outsourced functions and activities effectively and in compliance with applicable laws and regulatory requirements
- That the Service Provider and the Outsourcing Entity can only terminate the contract with a notice period
- That the Outsourcing Entity is able to terminate the arrangement for outsourcing where necessary without detriment to the continuity and quality of its provision of services to policyholder and other clients
- That the Outsourcing Entity reserves the right to be informed about the outsourced functions and activities and their performance by the Service Provider as well as a right to issue general guidelines and individual instructions at the address of the Service Provider, as to what has to be taken into account when performing the outsourced functions or activities

Intra-group Outsourcing arrangements

In the normal course of business, Delta Lloyd Levensverzekering enters into various transactions with entities within the consolidated Group. Transactions with entities within the consolidated Group take place on an arm's length basis and include distribution agreements, human resources-related arrangements and rendering and receiving of services. There are no significant provisions recognised for doubtful debts or individually significant bad debt expenses on outstanding balances within the Group.

System of governance Continued

All intra-group transactions are conducted under market-consistent conditions. Intra-group transactions included:

- Facility services carried out by Delta Lloyd Levensverzekering
- Various other shared services, including finance and information technology, carried out by group companies for insurance and other entities
- Staff of Delta Lloyd Levensverzekering is employed by Delta Lloyd Services B.V. Delta Lloyd Levensverzekering is charged for its staff expenses by NN Insurance Personeel B.V. and Delta Lloyd Services B.V. under a service level agreement. Although these costs are not paid out in the form of salaries, they do have the character of staff expenses and they are therefore recognised as such. A staff provision for holiday entitlement and bonuses is recognised at NN Insurance Personeel and Delta Lloyd Services B.V. Actual spending is charged as per the contract with NN Insurance Personeel B.V. and Delta Lloyd Services B.V.
- The transactions in financial instruments, such as shares, bonds, loans (excluding mortgage loans) and derivatives, are conducted via a management agreement with NN Investment Partners Holding B.V. NN Investment Partners B.V. makes use of Nationale-Nederlanden Interfinance B.V. for the execution of the transactions involving certain derivatives
- NN Bank is the servicing and originating partner for mortgage loans held by Delta Lloyd Levensverzekering

For material intra-group outsourcing arrangements, a written service level agreement is in place, similar to the one used for external service providers.

B.8 Any other information

Reference is made to the section 'Corporate Governance' in the 2018 Annual Report of Delta Lloyd Levensverzekering and the NN Group website: https://www.nn-group.com/Who-we-are/Corporate-governance/Corporate-governance for other material information regarding the governance of Delta Lloyd Levensverzekering and NN Group.

Risk profile

C. Risk Profile

Introduction

This chapter of the SFCR contains information on the risk profile of Delta Lloyd Levensverzekering and information on the 'prudent person principle' used when investing.

Risk profile per risk category

Reference is made to Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Levensverzekering for quantitative and qualitative information on the risk profile per risk category. The following risk categories have been disclosed:

C.1 Non-market risk (Underwriting risk)

Non-market risk is disclosed as insurance risk and business risk in Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Levensverzekering.

C.2 Market risk

Market risk is disclosed in Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Levensverzekering.

Any other material information regarding the risk profile

No material additional information regarding the property risk profile.

C.3 Counterparty Default risk (Credit risk)

Counterparty Default risk is disclosed in Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Levensverzekering.

C.4 Liquidity risk

Liquidity risk is disclosed in Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Levensverzekering.

C.5 Operational risk

Operational risk is disclosed in Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Levensverzekering.

C.6 Other material risks

Business conduct risk

Business conduct risk is the risk related to unethical or irresponsible corporate behaviour, inappropriate employee behaviour and customer suitability of products. For more details reference is made to Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Levensverzekering .

Concentration risks

Delta Lloyd Levensverzekering does not have an appetite for risk concentration and manages concentration risk with a limit structure. During the year a few passive limit breaches lower than 1% occurred. More information on the mitigation of several types of concentration risk is included in Note 2.7.1 'Risk Management' in the 2018 Financial statements of Delta Lloyd Levensverzekering.

Investing assets in accordance with the 'Prudent person principle'

Acceptable investments

Delta Lloyd Levensverzekering complies with the prudent person principles as set out in Directive 2009/138/EC/article 132: Prudent person principle. NN Group maintains a Global Asset List, which contains all asset classes in which NN Group and its subsidiaries are allowed to invest. Before an asset class is approved for this list, a specific procedure, called 'New Asset Class Assessment' ('NACA') must be followed.

The NACA should describe all relevant considerations on return, risk and operational consequences that are relevant to the decision whether a Business Unit of NN Group should invest in the proposed investment class.

The NACA request does not describe a specific transaction, but is a proposal for the potential investment in an investment class. The NACA should nevertheless address the quantitative impact of potential future investments and include proposed portfolio limits for the product. This should always be in line with NN Group internal policies as well as external constraints (such as regulatory limits).

Governance of investments

Within the Three Lines-of-Defence model, investments are managed in the first line through a dedicated Central Investment Office, reporting directly to the CEO of NN Group. Within Delta Lloyd Levensverzekering the second line function Financial Risk Management reports to the Head of Risk management who then reports to the CRO of Delta Lloyd Levensverzekering. Investment office and the CRO meet regularly in the Asset & Liability Management Committee (ALCO), and in the Group ALCO for the most material issues. Operational activities regarding investments are performed by NN Investment Partners or third parties, which also provide advice on proposed or current investments.

Risk profile Continued

All investment related activities are performed within the boundaries as set by NN Group Policies. These include among others the following:

- Asset-Liability Management Policy
- Asset Class Standard (NACA)
- Investment Management Policy
- Concentration Risk Standard
- Interest Rate Risk Management Standard
- Liquidity Risk Reporting Standard
- Financial Regulations Standard
- Responsible Investment framework policy
- Investment Mandate Standard

Chief Investment Officer
Based on market views, Delta Lloyd Levensverzekering requirements and input from its assets managers, the Chief Investment Officer ('CIO') will:

- Propose Investment Strategies for Delta Lloyd Levensverzekering
- Prepare proposals for mandates and for delegated approval levels for the Asset Managers
- Prepare Performance Measurement Guidelines of all investment decisions taken under the delegated approval authorities

NN Investment Partners will prepare a market view, propose investment ideas based on market developments and Delta Lloyd Levensverzekering requirements and decides on investment decisions within allocated limits/thresholds. NN Investment Partners executes the Performance Measurement mandates as prepared by the Chief Investment Officer.

Asset & Liability Management Committee
The main responsibility of the Asset & Liability Management Committee ('ALCO') is the oversight of risks related to the matching of assets and liabilities (Asset & Liability Management) and the consequences for the balance sheets and P&L of Delta Lloyd Levensverzekering. It includes risks related to the prevailing market circumstances and the possible adverse consequences of Delta Lloyd Levensverzekering. The ALCO also monitors and advises on insurance and business risks that can impact the balance sheet or P&L. The ALCO operates within the delegated authority of the Delta Lloyd Levensverzekering Board.

The ALCO monitors investment performance and decides on investment strategy, investment mandates as well as investment proposals within risk limits as set by the ALCO at NN Group:

- Investment strategy: the ALCO decides on its investment strategy by taking the approved NN Group investment strategy into consideration.
- Investment mandates: the ALCO decides on the investment mandates with its selected Asset Managers, taking the IO recommendations into consideration. This includes deciding on the approval authority delegated by the ALCO regarding allocation of asset classes within bandwidths as determined by Delta Lloyd Levensverzekering SAA, and to the Asset Managers.
- Investment proposals: the ALCO will decide on investment proposals where there is no approval authority delegated by the ALCO.

Sensitivity analysis
Reference is made to Note 2.7.1 'Risk Management' in the 2018 Financial statements of Delta Lloyd Levensverzekering for a description of the methods used, the assumptions made and the outcome of stress testing and sensitivity analysis for material risks and events.

Risk exposure from off-balance sheet positions and transfer of risk to special purpose vehicles
Reference is made to Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Levensverzekering regarding the risk exposure of Delta Lloyd Levensverzekering, including the exposure arising from off-balance sheet positions and describing the measures used to assess these risks.

As at 31 December 2018, no material risks were transferred to special purpose vehicles outside NN Group.

C.7 Any other information relevant to the risk profile of Delta Lloyd Levensverzekering

Techniques used for mitigation of risk
Reference is made to Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Levensverzekering for a description of the techniques used for mitigating risks and the processes for monitoring the continued effectiveness of these risk mitigation techniques.

Per 1 January 2019, NN Leven merged with Delta Lloyd Levensverzekering. For more information, reference is made to Note 2.7.2. 'Capital management' in the 2018 Consolidated annual accounts of NN Leven regarding subsequent events.

Valuation for Solvency purposes

D. Valuation for Solvency purposes

Introduction

This chapter contains information on the valuation for solvency purposes of consolidated assets, insurance liabilities and other liabilities of Delta Lloyd Levensverzekering and explains the differences with the valuations in the in the 2018 Financial statements of Delta Lloyd Levensverzekering.

Reconciliation IFRS Balance sheet to Solvency II Balance sheet

As at 31 December 2018. In EUR thousand	IFRS	Consolidation Scope	Presentation differences	Valuation differences	Solvency II
Assets					
Deferred tax assets	158,207	190		134,723	293,119
Reinsurance contracts	474,939			-25,531	449,408
Associates and joint ventures	1,136,500	76,264			1,212,764
Investment property	74,831	-7,965			66,866
Derivatives	1,812,408		-324		1,812,084
Other assets	1,438,917	-66,746	-250,526	9,668	1,131,313
Loans and receivables	10,761,057	-450,278	46,143	252,206	10,609,127
Investments at policyholders' risk	7,681,257			-9,375	7,671,881
Debt securities	18,340,426	449,255	204,708	-3,875	18,990,514
Equity securities	673,069			-1,849	671,221
Cash and cash equivalents	970,517	-648			969,869
Total assets	**43,522,128**	**73**	**0**	**355,967**	**43,878,168**
Equity					
Shareholders'funds	2,745,484			-505,097	2,240,386
Total equity / Excess of assets over liabilities	**2,745,484**			**-505,097**	**2,240,386**
Liabilities					
Borrowings	826,302		15,288	44,450	886,040
Insurance and investment contracts	36,598,090			755,424	37,353,514
Provisions for other liabilities	21,660				21,660
Investments at policyholders'risk	6,780		-6,780		0
Derivatives	543,909				543,909
Deposits	1,479,210				1,479,210
Other liabilities	1,300,693	73	-8,508	61,190	1,353,449
Total liabilities	**40,776,644**	**73**	**0**	**861,064**	**41,637,782**
Total equity and liabilities	**43,522,128**	**73**		**355,967**	**43,878,168**

Loans and receivables consists of Loans at fair value through profit or loss and Loans and receivables at amortised cost.
Other assets consists of Receivables and other financial assets, Current tax assets and Accrued interest and prepayments.

Reference is made to the 2018 Financial statements of Delta Lloyd Levensverzekering for more detailed information on the IFRS Balance sheet. Reference is made to QRT S.02.01.02 'Balance sheet' in the Appendix for the full Solvency II Balance sheet. The values in these tables may differ from those included in Note 2.7.1 'Risk Management' in the 2018 Financial statements of Delta Lloyd Levensverzekering due to classification and valuation differences to reflect a risk management view.

For Solvency II reporting, Principal subsidiaries are not consolidated line-by-line while they are for IFRS reporting. The impact from this difference is reflected above in the column 'Consolidation scope'.

The valuation and presentation differences between IFRS and Solvency II resulting from differences in accounting principles and methods are explained in the sections below. For items where no valuation difference occurred, reference is made to Note 2.6 'Accounting policies' and Note 2.7.34 'Fair value of assets and liabilities' in the 2018 Financial statements of Delta Lloyd Levensverzekering for a description of the bases, methods and main assumptions used for their valuation.

The most important presentation differences are the presentation of the Deferred taxes and accrued interest which is reclassified from other assets to securities and loans and receivables and the presentation difference of associates and joint ventures consisting of associates and joint ventures which are classified as securities in the Solvency II Balance sheet.

Details of valuation, presentation and consolidation differences are included in Section D.1- D.3 below.

D.1 Assets

Accounting principles, methods and main assumptions used

In general, Solvency II valuation requires a market consistent approach to the valuation of assets and liabilities. The default reference framework for valuing assets and liabilities, other than technical provisions, is IFRS as endorsed by the European Union ('IFRS-EU'). The

Valuation for Solvency purposes Continued

exception is if the IFRS valuation principle does not reflect a market consistent valuation (e.g. amortised cost). For main assumptions used in fair valuing assets, reference is made to Note 27.34 'Fair value of assets and liabilities' in the 2018 Financial statements of Delta Lloyd Levensverzekering.

Deferred assets
Under IFRS, deferred tax assets are part of the other assets. In the IFRS balance sheet, deferred taxes, other than deferred tax assets arising from the carry forward of unused tax credits and the carry forward of unused tax losses, are valued on the basis of the difference between the tax bases of assets and liabilities and their carrying values. A positive value to deferred taxes is only attributed where it is probable that future taxable profit will be available against which the deferred tax asset can be used, taking into account any legal or regulatory requirements on the time limits relating to the carry forward of unused tax losses or credits.

Reference is made to Note 2.7.28 'Income taxes' of the 2018 Financial statements of Delta Lloyd Levensverzekering for more information on the origin of the recognition of deferred tax assets and the amount and expiry date of deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset is recognised in the IFRS balance sheet.

In the Solvency II balance sheet, deferred tax assets and liabilities are recognised and valued in conformity with IFRS. However, the differences in valuation of assets and liabilities as set out in sections D.1 'Assets', D.2 'Technical provisions' and D.3 'Other liabilities' result in an increase of EUR 138 million of deferred tax assets recognised in the Solvency II balance sheet as at 31 December 2018.

Differences due to a different scope of consolidation amounted to EUR 0.2 million as at 31 December 2018.

Reinsurance assets
Reference is made to section D2 'Technical provisions' of this SFCR.

Associates and joint ventures
In the IFRS balance sheet, associates and joint ventures are reported at net asset value (equity accounting).

All holdings in related undertakings were either valued using quoted market prices in active markets or by using the adjusted equity method (when a stock listing was not available).

Differences due to a different scope of consolidation amounted to EUR 76 million as at 31 December 2018.

Investment property
In the IFRS balance sheet, investment property is reported at fair value. In the Solvency II balance sheet, investment property is reported at market value. There are no significant valuation differences between IFRS and Solvency II for investment property as fair value generally equals market value.

Differences in investment property recognised in the IFRS and the Solvency II Balance sheets due to a different scope of consolidation amounted to EUR -8 million as at 31 December 2018.

Derivatives
In the IFRS balance sheet, derivatives are reported at fair value. In the Solvency II balance sheet, derivatives are reported at market value. There are no significant valuation differences between IFRS and Solvency II for derivatives as fair value generally equals market value.

Other assets
In the IFRS balance sheet, other assets are reported at their notional amounts. In the Solvency II balance sheet, other assets (with the exclusion of deferred taxes) are reported at market value.

Presentation differences of EUR -251 million as at 31 December 2018 consist of the different presentation of accrued interest. Solvency II requires accrued interest to be presented as part of the interest bearing investments ('dirty market value') and not separately as other assets as in the 2018 Financial statements of Delta Lloyd Levensverzekering ('clean market value').

Differences in other assets recognised in the IFRS and the Solvency II Balance sheets due to a different scope of consolidation amounted to EUR - 67 million as at 31 December 2018.

Loans and receivables
In the IFRS balance sheet, loans are reported at amortised cost and partially at fair value. In the Solvency II balance sheet, loans are reported at market value. For loans that are repriced frequently and have had no significant changes in credit risk, the carrying values in the 2018 Financial statements of Delta Lloyd Levensverzekering represent a reasonable estimate of the market value for Solvency II. For other loans the market value is estimated by discounting expected future cash flows using a discount rate that reflects credit risk, liquidity and other current market conditions. The market value of mortgage loans is estimated by taking into account prepayment behaviour. Loans with similar characteristics are aggregated for calculation purposes.

Valuation differences between IFRS and Solvency II for loans represents the difference between amortised cost and market value of EUR 46 million as at 31 December 2018.

Valuation for Solvency purposes Continued

Presentation differences of EUR -450 million as at 31 December 2018 are caused by the different presentation of accrued interest. Solvency II requires accrued interest to be presented as part of the loans ('dirty market value') and not separately as other assets as in the 2018 Financial statements of Delta Lloyd Levensverzekering ('clean market value').

Differences due to a different scope of consolidation amounted to EUR 252 million as at 31 December 2018.

Investments at policyholders' risk

In the IFRS balance sheet, investments at policyholders'risk are reported at fair value. In the Solvency II balance sheet, investments at policyholders'risk are reported at market value. There is a valuation difference between IFRS and Solvency II for investments at policyholders' risk of EUR - 9 million as fair value generally equals market value.

Debt securities

In the IFRS balance sheet, debt securities are reported at fair value. In the Solvency II balance sheet, debt securities are reported at market value. There are no significant valuation differences between IFRS and Solvency II for securities and derivatives as fair value generally equals market value.

Presentation differences of EUR 205 million as at 31 December 2018 are caused by the presentation of accrued interest and associates and joint ventures. Accrued interest of EUR 205 million as at 31 December 2018 is a separate presentation as accrual under IFRS. Solvency II requires accrued interest to be presented as part of the securities ('dirty market value') and not separately as other assets in the 2018 Financial statements of Delta Lloyd Levensverzekering ('clean market value').

Differences due to valuation amounted to EUR -4 million.

Differences due to a different scope of consolidation amounted to EUR 449 million as at 31 December 2018.

Equity securities

In the IFRS balance sheet, Equity securities are reported at fair value. In the Solvency II balance sheet, Equity securities are reported at market value. Differences in valuation between IFRS and Solvency II for Equity securities amounted to EUR -2 million as fair value generally equals market value.

There are no significant differences due to presentation or due to different scope of consolidation between IFRS and Solvency II.

Cash and cash equivalents

In the IFRS balance sheet, cash and cash equivalents are reported at the notional amount. In the Solvency II balance sheet, cash and cash equivalents are reported at market value. There are no significant valuation differences between IFRS and Solvency II for cash and cash equivalents as the market value is not significantly different from the notional value.

There are no significant differences due to a different scope of consolidation as at 31 December 2018.

Changes in valuation bases

During 2018, no material changes were made to the recognition and valuation bases, or estimations used, in the measurement of assets on the Solvency II balance sheet.

Valuation for Solvency purposes Continued

D.2 Technical provisions

Value of the technical provisions

The value of technical provisions, including the amount of the Best Estimate of Liabilities ('BEL') and the Risk Margin ('RM') is disclosed below separately for each material line of business as at 31 December 2018:

Value of technical provisions by Solvency II Business Line

As at 31 December 2018. In EUR thousand	BEL	Risk margin	Technical provisions
Technical provision by Solvency II Business line:			
1. Life	27,652,580	1,762,869	29,415,449
2. Index-linked and Unit-linked	7,707,132	230,932	7,938,065
Total	**35,359,713**	**1,993,801**	**37,353,514**

Bases, methods and main assumptions used for solvency valuation

Technical Provisions are measured for Solvency II purposes as the sum of the BEL and a RM. The BEL are equal to the probability-weighted average of the present value of the future liability cash flows, based on the relevant risk-free interest rate term structure. The RM is defined as the amount that an empty (re)insurance entity is expected to require in excess of the BEL in order to take over and meet the (re)insurance obligations.

Best estimate of liabilities

Delta Lloyd Levensverzekering uses cash flow models and best estimate assumptions to determine the BEL under Solvency II. Premiums, benefits, expenses and other relevant cash flows are projected for the policy term – subject to contract boundaries – and discounted at the currency specific risk-free interest rate term structure, including the Ultimate Forward Rate ('UFR'), to allow for financial risk with the currency specific Credit Risk Adjustments ('CRA') and a Volatility Adjustment ('VOLA'). This is the full-cash flow approach and is applied to both traditional and unit-linked business. Cash flows are either projected on a per policy basis or individual policies are grouped into representative model points.

At the end of 2018, the UFR for EUR under Solvency II was set at 4.05%. In April 2017, EIOPA published an updated methodology to derive the UFR and in line with this updated methodology, the calculated value of the UFR for EUR is 3.60%, but annual changes to the UFR will not be higher than 15 basis points. Therefore the UFR for EUR is expected to decrease from 4.05% to 3.90% from 1 January 2019.

Cash flows are projected along a sufficiently large number of future risk-free interest rate scenarios to allow for one-sided financial options and guarantees. This is typical for business with profit sharing on top of a fixed interest rate guarantee and unit-linked products with a return guarantee. The best estimate risk-free interest rate term structure is used in those instances where there are no embedded options or guarantees.

The cash flow projections consider management actions that can be taken to mitigate the loss to Delta Lloyd Levensverzekering, management policy covering the distribution of future discretionary benefits and the predictability and profit sharing of liability cash flows. Delta Lloyd Levensverzekering has no material discretionary benefits. The cash flow projections used in the calculation of the BEL are based on the best estimate assumptions. The cash flow projection reflects the expected realistic future demographic, legal, medical, technological, social, environmental and economic developments that have a material impact on the BEL.

Assumptions underlying the BEL are portfolio-specific rather than entity-specific. Entity-specific assumptions are used only insofar as those assumptions enable the entity to better reflect the characteristics of the portfolio or where the calculation of the BEL in a realistic, reliable and objective manner without those assumptions is not possible.

Delta Lloyd Levensverzekering reports a relatively small portion of un-modelled Technical Provisions. For un-modelled business, in general Technical Provisions are estimated either by scaling of modelled business or by setting Solvency II Technical Provisions equal to IFRS provisions. Where these approaches are taken, the Actuarial Function Holder has provided an opinion that the approaches are acceptable given the materiality of the Technical Provisions.

Reinsurance and other recoverables

The BEL are estimated gross, without deduction of the amounts recoverable from reinsurance contracts. The amounts recoverable from reinsurance contracts and expected losses due to counterparty default are calculated separately. The principles used to calculate the amounts recoverable are consistent with those underlying the calculation of the gross BEL.

Risk margin

In addition to the BEL a RM is held to allow for non-hedgeable market and non-market risks. The calculation of the RM is performed by either explicitly calculating the SCR for each future year or by using a driver approach. Long-Term Guarantee ('LTG') measures are excluded from the calculation of the SCRs and in the discounting, when calculating the RM.

With the driver approach, the relevant sub-risk SCRs - either Internal Model or Standard Formula - are projected using appropriate risk drivers, multiplied by the cost of capital of 6% (net of tax), then discounted at the relevant risk free rate term structure. The sub-risk market value margins are aggregated using the relevant diversification factors. Note that this is a simplification as Solvency II requires the individual SCRs to be diversified at each future point in time. Delta Lloyd Levensverzekering's simplification does not lead to a material misestimation of the RM.

Valuation for Solvency purposes Continued

Assumptions

Non-financial assumptions

Assumptions are set for expenses, mortality, morbidity and other relevant insurance risks using historical experience of the insurance portfolio. Assumptions are reviewed by Delta Lloyd Levensverzekering at least annually and submitted to the Model Committee (MoC) for approval or for information, depending on materiality, following Delta Lloyd Levensverzekering's model governance. Note that Best estimate assumptions are approved by the Pricing and Valuation MoC whereas Risk assumptions are approved by the Risk MoC.

Policyholder behaviour regarding lapses, partial and full surrenders and paid-ups are taken into account subject to the boundaries of the contracts. Management actions are reflected in the cash flow projections. These are mostly current management actions related to dynamic decision rules in the asset liability models of Delta Lloyd Levensverzekering. Future management actions are assumed for portfolios including discretionary benefits.

Boundaries of insurance contracts are based on a detailed investigation of terms and conditions.

Financial assumptions

Delta Lloyd Levensverzekering follows EIOPA requirements in determining the basic risk-free rates and the VOLA to determine the relevant currency specific risk free rate term structure for valuation of Technical Provisions. Because EIOPA curves are not available in time for Delta Lloyd Levensverzekering to start their valuations, Delta Lloyd Levensverzekering follows the EIOPA methodology to independently produce the curves. These are then compared to the published EIOPA curves when these are made available to ensure consistency between the EIOPA and the Delta Lloyd Levensverzekering manufactured curves. At year-end 2018, the EIOPA and Delta Lloyd Levensverzekering curves were identical.

Changes in assumptions

During 2018, Delta Lloyd Levensverzekering aligned its best estimate assumptions to NN Leven best estimate assumptions. This review is part of the regular process and assumptions are updated where necessary to reflect new insights.

Options and guarantees

When establishing technical provisions at Delta Lloyd Levensverzekering, all material financial guarantees and contractual options included within the boundary of insurance and reinsurance policies are taken into account. In doing so, factors which may affect the likelihood that policyholders will exercise contractual options or realise the value of financial guarantees are analysed.

The intrinsic value of financial options and guarantees is reflected in the single (deterministic) cash flow projection of technical provisions. These include the interest rate guarantees implicit in traditional products as well as policyholder options such as paid-up, surrender etc. where material.

A stochastic model is required to determine the time value of options and guarantees (TVoG) where cash flows vary asymmetrically with market returns. The stochastic model uses 5,000 Monte Carlo simulations to project future cash flows under various economic scenarios. The number of scenarios is set in order to reduce the simulation error to within the tolerance level. Currently, such error should be less than 1% of the best estimate liabilities, as determined by taking the 80% confidence interval of the mean standard error of the simulations. Delta Lloyd Levensverzekering performs a test to ensure the simulation error is within the established limits and increase number of scenarios used if the test does not satisfy the requirements. Nearly the entire TVoG for Delta Lloyd Levensverzekering stems from Delta Lloyd Levensverzekering's Unit-linked business with guarantees.

Dynamic policyholder behaviour has been reflected where it is deemed material to the valuation under the different economic environments reflected in the stochastic scenarios. Where future profit sharing is dependent on economic conditions, the variability is taken into account in the TVoG. Where management actions have been taken into account, these are consistent with policies signed-off by the respective boards.

The Actuarial Function Holder has assessed the allowances made in respect of options and guarantees in the technical provisions and the underlying assumptions, and came to the conclusion that such allowances are appropriate.

Level of Uncertainty

For the level of uncertainty associated with the value of the technical provision, reference is made to the Note 2.7.1 'Risk Management' in the 2018 Financial statements of Delta Lloyd Levensverzekering.

Main differences between IFRS and Solvency II valuation of technical provisions

As at 31 December 2018. In EUR thousand	IFRS	Valuation differences	Solvency II
Technical provision by Solvency II Business line:			
1. Life	28,978,880	436,569	29,415,449
2. Index-linked and Unit-linked	7,619,210	318,855	7,938,065
Total	**36,598,090**	**755,424**	**37,353,514**

Valuation for Solvency purposes Continued

Summary of main differences between IFRS and Solvency II as at 31 December 2018

At 31 December 2018, the valuation and presentation differences between the insurance and investment contracts recognised in the IFRS balance sheet and the technical provisions recognised in the Solvency II balance sheet of Delta Lloyd Levensverzekering amounted to EUR 755 million. Methods and models used in calculating the Solvency II technical provisions and IFRS insurance liabilities differ substantially. The main valuation differences between IFRS and Solvency II are outlined below:

- Insurance liabilities in the IFRS Balance sheet are established in accordance with IFRS 4 'Insurance Contracts'. Under IFRS 4, an insurer may continue its existing pre-IFRS accounting policies for insurance contracts, provided that certain minimum requirements are met. Upon adoption of IFRS-EU in 2005, Delta Lloyd Levensverzekering has partly moved its accounting principles towards market interest rates and best estimate mortality
- The BEL in Solvency II is calculated as the probability-weighted average of the present value of future liability cash flows using best estimate assumptions
- A RM for non-hedgeable risks is added to the BEL to establish the Solvency II technical provisions
- Different interest rates are used for calculation of insurance and investment contracts under IFRS and Solvency II. For Solvency II a risk-free interest rate curve with credit risk, VOLA and UFR where applicable is used. Delta Lloyd Levensverzekering does not apply a matching adjustment. For IFRS a similar discount curve is applied with a UFR of 3,60%
- The present value of future profits is recognised in Solvency II technical provisions but not in IFRS technical provisions
- The difference between IFRS and Solvency II technical provisions is primarily reflected in the Life Business line, where IFRS technical provisions largely reflect assumptions locked-in at policy issue - except for mortality and interest - which can depart significantly from the best estimate assumptions reflected in the Solvency II provisioning
- For index-linked and unit-linked insurance the IFRS technical provisions are equal to the fund value of these contracts. For Solvency II technical provisions, the present value of the margins is deducted from the fund value
- The valuation differences between IFRS technical provisions and Solvency II technical provisions described in the above paragraph also apply to reinsurance contracts

Matching and volatility adjustment, transitional measures, and transitional risk-free interest rate-term structure

QRT S.22.01.21 'Impact of long term guarantees and transitional measures' in the Appendix provides the quantitative impact of excluding the so-called Long-Term Guarantee ('LTG') measures and Transitional measures from Own Funds and the SCR. QRT S.22.01.21 mandates disclosure of the quantitative impact of excluding:

- Transitional measures on technical provisions
- Transitional measures on interest rates
- Volatility adjustment
- Matching Adjustment

on:

- Technical provisions
- Basic Own funds
- Eligible Own Funds to meet Solvency Capital Requirement
- Solvency Capital Requirement

All the elements of which the impact is excluded in this QRT are an integral part of the Solvency II framework. The resulting Own Funds and SCR should therefore not be seen as a replacement of, or alternative for, the Own Funds and SCR as determined in accordance with Solvency II. For Delta Lloyd Levensverzekering, the VOLA is of relevance given its liability profile and its approach to match cash-flows of these liabilities with corresponding fixed income instruments. Transitional measures in respect of technical provisions and interest rates are applied by Delta Lloyd Levensverzekering but the impact is less significant. Delta Lloyd Levensverzekering does not apply the Matching Adjustment.

Volatility adjustment

Delta Lloyd Levensverzekering applies the yield curve as published by EIOPA for the calculation of the technical provisions under Solvency II. In line with Solvency II regulations, this yield curve includes a Volatility adjustment component. As at 31 December 2018, the level of the VOLA for the Euro currency was 24 bps (31 December 2017: 4 bps). The application of the VOLA resulted in a reduction of EUR 938 million in technical provisions, contributing EUR 746 million (after tax) to Basic own funds and EUR 709 to Eligible Own Funds as at 31 December 2018.

In the calculation of the SCR, Delta Lloyd Levensverzekering assumes no change to the VOLA after a shock-event, but reflects the illiquidity of liabilities in the asset shocks to ensure appropriate solvency capital requirements. This VOLA approach is approved by DNB, in particular to ensure appropriate risk incentives on asset allocation decisions. Delta Lloyd Levensverzekering also shocks all government bonds and its mortgage portfolio in the calculation of spread risk capital requirements. Under the Standard Formula no capital is required to be held against spread risk arising from these assets, whereas under the Partial Internal Model substantial capital is held against these risks.

If the VOLA would be excluded from the SCR calculation, the spread risk on government bonds and mortgages would need to be adjusted accordingly. However, for the completion of QRT S.22.01.21 'Impact of long term guarantees and transitional measures' in the Appendix, NN Leven is required to reflect only the impact of excluding the VOLA from Eligible Own Funds and the SCR, without adjusting for the spread risk on government bonds and mortgages.

Valuation for Solvency purposes Continued

D.3 Other liabilities

Borrowings

In the IFRS balance sheet, borrowings issued are reported at amortised cost. In the Solvency II balance sheet, these borrowings are reported at market value, excluding an adjustment for the change in Delta Lloyd Levensverzekering's own credit risk after initial recognition. In the Solvency II value, the change in the own credit risk is not taken into account.

Valuation differences between IFRS and Solvency II for borrowings of EUR 44 million represent the difference between amortised cost and market value, excluding an own credit element.

Presentation differences include the different presentation of accrued interest. Solvency II requires accrued interest to be presented as part of the interest bearing liabilities ('dirty market value') and not separately as other liabilities as in the 2018 Financial statements of Delta Lloyd Levensverzekering ('clean market value'). Total presentation differences amounted to EUR 15 million as at 31 December 2018.

Insurance and investment contracts

In the IFRS balance sheet, insurance and investment contracts are reported at amortised cost. In the Solvency II balance sheet, insurance and investment contracts are reported at market value.

Valuation differences between IFRS and Solvency II for insurance and investment contracts of EUR 755 million represent the difference between amortised cost and market value.

There are no differences due to presentation or due to different scope of consolidation between IFRS and Solvency II.

Investments at policyholders' risk

In the IFRS balance sheet, investments at policyholders' risk are reported at fair value. In the Solvency II balance sheet, investments at policyholders' risk are reported at market value.

Presentation differences between IFRS and Solvency II for investments at policyholders' risk amounted to EUR - 7 million as at 31 December 2018. Presentation differences also include the different presentation of accrued interest. Solvency II requires accrued interest to be presented as part of the interest bearing liability ('dirty market value') and not separately as other liabilities as in the 2018 Financial statements of Delta Lloyd Levensverzekering ('clean market value').

Other liabilities

In the IFRS balance sheet, other liabilities are reported at the notional amount. In the Solvency II balance sheet, other liabilities are reported at market value. Differences due to a valuation difference amounted to EUR 61 million as at 31 December 2018.

Presentation differences amounted to EUR -9 million as at 31 December 2018. Presentation differences also include the different presentation of accrued interest. Solvency II requires accrued interest to be presented as part of the interest bearing liability ('dirty market value') and not separately as other liabilities as in the 2018 Financial statements of Delta Lloyd Levensverzekering ('clean market value').

There are no significant differences due to different scope of consolidation between IFRS and Solvency II.

Contingent liabilities and provisions

Part of the other liabilities are the contingent liabilities and provisions. In the IFRS balance sheet, provisions are recognised when:

- An entity has a present obligation (legal or constructive) as a result of a past event
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation
- A reliable estimate can be made of the amount of the obligation

In the IFRS balance sheet, provisions are recognised for the amount representing the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Contingent liabilities are not recognised in the IFRS balance sheet. These are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

In the Solvency II balance sheet, all material contingent liabilities are recognised as liabilities for the expected present value of future cash flows required to settle the contingent liability over the lifetime of that contingent liability, using the basic risk-free interest rate term structure.

Valuation differences between IFRS and Solvency II for contingent liabilities and provisions represent:

- A recognition difference: contingent liabilities are not recognised in the IFRS balance sheet, but are recognised in the Solvency II balance sheet if the exposure can be reliably estimated
- A measurement difference: provisions are measured in the IFRS balance sheet using the best estimate outcome (i.e. the full amount that may be incurred), while Solvency II requires a provision for the probability weighted outcome (i.e. the probability multiplied by the impact of the differences as at 31 December 2018)

For more details on other provisions and contingent liabilities, reference is made to Note 2.7.32 'Contingent assets and liabilities' and Note 2.7.33 'Off-balance sheet positions' in the 2018 Financial statements of Delta Lloyd Levensverzekering.

Valuation for Solvency purposes Continued

The valuation difference between IFRS and Solvency II for provisions and contingent liabilities had no material impact at 31 December 2018.

Leasing

Information on operating lease arrangements are recognised in Note 2.7.4 'Details of expenses' and Note 2.7.33 'Off-balance sheet positions' in the 2018 Financial statements of Delta Lloyd Levensverzekering. There are no significant financial lease arrangements.

Expected profits in future premiums

For existing business, expected profits included in future premiums are reflected in the technical provisions and therefore contribute to the Own Funds. For more information on the expected profits in future premiums, reference is made to QRT S.23.01.01 'Own funds' as included in the Appendix.

Outflow of economic benefits

For the expected timing of the outflows of economic benefits reference is made to Note 2.7.1 'Risk management' in the 2018 Financial statements of Delta Lloyd Levensverzekering. Uncertainties surrounding the amount or timing of the outflows of economic benefits is described in the Liquidity Risk paragraph in Note 2.7.1 'Risk management' in the 2018 Annual Report Delta Lloyd Levensverzekering. The uncertainties in amount or timing of other liability cash flows are low. Deviation risk was not taken into account in the valuation of the other liabilities.

Changes during 2018

No significant changes were made to the recognition and valuation bases nor on estimations of the other liabilities during the reporting period.

D.4 Alternative methods for valuation

Alternative valuation methods used

Alternative valuation methods are used by Delta Lloyd Levensverzekering to determine the fair value of assets and liabilities if quoted market prices in active markets are unavailable. Reference is made to Note 2.7.34 'Fair value of assets and liabilities' in the 2018 Financial statements of Delta Lloyd Levensverzekering for more information on the valuation approaches used.

D.5 Any other information

Active markets

Information on the criteria used to assess whether markets are active is included in Note 2.6 'Accounting policies' in the 2018 Financial statements of Delta Lloyd Levensverzekering . The valuation methods used if the markets are inactive are described in Note 2.7.34 'Fair value of assets and liabilities' in the 2018 Financial statements of Delta Lloyd Levensverzekering.

Capital management

E. Capital Management

Introduction

This chapter of the SFCR contains information on the capital management of Delta Lloyd Levensverzekering, including the reconciliation of IFRS equity to Solvency II Own Funds, Delta Lloyd Levensverzekering's Minimum Capital Requirement ('MCR') and detailed information on Delta Lloyd Levensverzekering's Partial Internal Model.

E.1 Own funds

Reference is made to Note 2.7.2 'Capital management' in the 2018 Financial statements of Delta Lloyd Levensverzekering for:

- The objectives, policies and processes employed by Delta Lloyd Levensverzekering for managing its own funds, including information on the time horizon used for business planning and on any material changes over the reporting period
- The structure, amount and quality of own funds, including the extent to which each material own fund item is available and subordinated, as well as its duration and any other features that are relevant for assessing its quality
- The amount of Eligible Own Funds to cover the SCR, classified by tiers

Delta Lloyd Levensverzekering did not have ancillary own funds during 2018 or as at 31 December 2018.

Solvency II Basic Own Funds represent the excess of assets over liabilities in the Solvency II balance sheet and the subordinated liabilities. It comprises the following items:

- Paid-in ordinary share capital and the related share premium account
- Paid-in subordinated liabilities
- Not distributed profits from previous years and the profit accrued during the reporting year
- The amount equal to the value of net deferred tax assets
- A reconciliation reserve reflecting the accumulated unrealized revaluations on balance sheet items that are not yet recycled through the Profit and Loss. These items include technical reserves for own account policies, bonds and loans, derivatives under hedge accounting programs and similar assets.

Impact of long term guarantees and transitional measures

The quantification of the impact of a change to zero of the VOLA on Delta Lloyd Levensverzekering's financial position, represented by an adjustment on the amount of technical provisions, the SCR, the Basic Own Funds and the Eligible Own Funds is included in Section D.2 and QRT S.22.01.21 'Impact of long term guarantees and transitional measures' in the Appendix. No transitional measures are applicable for Delta Lloyd Levensverzekering.

Items deducted from own funds

Under Solvency II, Own funds are reduced by 'foreseeable dividends, distributions and charges'. This requirement is different from reporting under IFRS where dividends are deducted from equity (and a corresponding liability is recognised) when they are declared.

Recognition of 'foreseeable dividends and distributions' under Solvency II is relevant for Delta Lloyd Levensverzekering in two circumstances:

1) Dividends

No foreseeable dividends are subtracted from the 31 December 2018 available equity.

2) Coupons on subordinated liabilities

From the equity per 31 December 2018 an amount of EUR 15 million is subtracted as accrued coupon in relation to the subordinated liabilities.

Additional ratios

No additional ratios are disclosed in the Solvency and Financial Condition Report other than the ratios included in QRT S.23.01.01 'Own funds' as included in the Appendix; plus those that are included by reference into this report.

Analysis of significant changes in own funds

Reference is made to Note 2.7.2 'Capital management' in the 2018 Financial statements of Delta Lloyd Levensverzekering for an analysis of significant changes in own funds.

The principal loss-absorbency mechanism

During 2018, Delta Lloyd Levensverzekering had no principal loss-absorbency mechanism in place.

Capital management Continued

Reconciliation reserve

The reconciliation reserve equals the total excess of assets over liabilities reduced by the following key elements:

- Paid-in ordinary share capital and related share premium account
- Paid-in preference shares and related share premium account
- The amount equal to the value of net deferred tax assets
- Foreseeable dividends and distributions

The reconciliation reserve is included in QRT S.23.01.01 'Own funds' in the Appendix to this report.

Reconciliation IFRS Shareholder funds to Own Funds

Reconciliation IFRS Shareholder funds to Solvency II Basic Own Funds

In EUR thousand	2018	2017
Shareholders'funds	2,757,702	2,101,487
Elimination of deferred acquisition costs and other intangible assets	0	-7,224
Valuation differences on assets	205,875	780,806
Valuation differences on liabilities, including insurance and investment contracts	-861,064	-974,793
Deferred tax effects on valuation differences	137,873	47,061
Excess assets/ liabilities	**2,240,386**	**1,947,336**
Qualifying subordinated debt	886,040	882,727
Foreseeable dividends and distributions	-15,288	-15,288
Basic Own Funds	**3,111,139**	**2,814,776**

The differences between IFRS Shareholders funds in the 2018 Financial statements of Delta Lloyd Levensverzekering and Solvency II Basic Own Funds of Delta Lloyd Levensverzekering as at 31 December 2018 are mainly caused by:

- Valuation differences:
  - Deferred acquisition costs are not recognised for Solvency II purposes
  - Intangible assets are not recognised or recognised at nil under Solvency II
  - Different measurement of:
    - Loans and advances
    - Reinsurance contracts
    - Subordinated loans
    - Insurance and investment contract liabilities
  - The other valuation differences mainly consist of the change in net Deferred Tax Assets caused by using different valuations for some Solvency II balance sheet items whilst the tax base of these items remained the same.

- Other differences:
  - Foreseeable dividends and distributions are recognised for Solvency II purposes when determining the basic own funds

Reference is made to section D 'Valuation for Solvency Purposes' for more information on the valuation and consolidation differences between IFRS and Solvency II.

Eligibility of Own Funds

Reference is made to Note 2.7.2 'Capital management' in the 2018 Financial statements of Delta Lloyd Levensverzekering for the eligibility of Own Funds of Delta Lloyd Levensverzekering.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

Solvency Capital Requirement

Delta Lloyd Levensverzekering determined the SCR including:

- Loss-absorbing capacity of deferred taxes ('LAC DT'). Delta Lloyd Levensverzekering's total loss in a 1-in-200 adverse event would be offset by tax recoveries and these are recognised to the extent to be expected to be recoverable. The determination of LACDT is significantly dependent on various assumptions, such as capitalisation assumptions, the assumed investment returns and the projection period.

Reference is made to QRT S.25.02.21 'Solvency Capital Requirement' in the Appendix.

Capital management Continued

Deferred tax under Solvency II

The total deferred tax amount in Solvency II arises from:

- Taxable or deductible temporary differences because the carrying amount of assets or liabilities in the balance sheet differs from the tax base of those assets or liabilities. These differences multiplied by the tax rate are recognised as a net deferred tax liability or a net deferred tax asset in the balance sheet. Reference is made to section D.1 'Assets' for the deferred tax asset recognised in the Solvency II balance sheet.
- The LAC DT on the SCR.
- Unused tax losses that are available for carry forward for tax purposes.

Not all valuation differences between the tax basis and Solvency II and SCR shocks will lead to deferred tax as certain elements are exempt for tax. For example: valuation differences on certain equity securities and the equity shock in the SCR on these securities do not result in a deferred tax effect when equity returns are exempt from tax. Therefore, these are excluded from the valuation differences and SCR amounts in order to arrive at the deferred tax balances for Solvency II.

The total deferred tax amount for Solvency II is therefore built up in a number of steps:

- deferred tax assets on unused tax losses
- +/- deferred tax assets/liabilities from valuation differences between IFRS and tax basis (except for non-taxable items)
- = deferred tax asset/liability in the IFRS balance sheet (deferred tax for IFRS)
- +/- deferred tax assets/liabilities from valuation differences between Solvency II and IFRS (except for non-taxable items)
- = deferred tax asset/liability in the Solvency II balance sheet (deferred tax for Own Funds)
- \+ deferred tax on SCR (LAC DT on the SCR) (except for non-taxable items)
- = total deferred tax amount for Solvency II

The 'total deferred tax amount for Solvency II' represents the deferred tax position that would be reflected in a Solvency II balance sheet that is fully shocked in line with the SCR shock. Any net deferred tax asset/benefit - whether for IFRS, Own Funds or SCR - must be tested for recoverability. The general guidance on assessing recoverability is summarised as follows:

Tax assets can only be recognised when it is concluded that their recoverability is probable. This applies to both deferred tax assets from timing differences, deferred tax assets from unused tax losses carried forward and the LAC DT on the SCR.

Deferred tax assets are recoverable when:

- There are sufficient deferred tax liabilities relating to the same taxation authority and the same taxable entity. These deferred tax liabilities must be expected to reverse either in the same period as the tax asset or in periods into which a tax loss can be carried back or forward
- It is probable that the entity will have sufficient taxable profit relating to the same taxation authority and the same taxable entity in the same period as the reversal of the deductible temporary difference (or in the periods into which a tax loss arising from the deferred tax asset can be carried back or forward)
- Tax planning opportunities are available

Deferred taxes in the IFRS and Solvency II balance sheet are nominal, undiscounted, amounts. Therefore, recoverability testing also only considers nominal, undiscounted, amounts.

Specific guidance applies under Solvency II in respect of item b. 'Sufficient taxable profit' as, different from IFRS, this refers to Solvency II based profits (before and after a shock event) and not to regular (IFRS-based) profits.

In order to assess the recoverability of deferred tax, the total deferred tax amount for Solvency II (i.e. deferred tax in the Solvency II balance sheet plus the LAC DT on the SCR) must be equal to or lower than the total recoverable deferred tax amount in a Solvency II environment.

The recoverable amount must be assessed at the legal entity level and may not - except for the Solvency II balance sheet deferred tax asset only - include amounts from other entities in the Group, independent of existing fiscal unities or tax groups. While from a legal, tax and economic perspective the recoverability would benefit from the existence of a fiscal unity, and therefore the benefit from a fiscal unity is 'real', the Q&A as published by DNB prohibits reflecting the benefit of a fiscal unity in supporting the LAC DT on the SCR. The fiscal unity may be reflected in supporting the deferred tax asset in the Solvency II balance sheet.

As the total deferred tax amount for Solvency II (i.e. the deferred tax asset that exists in a fully shocked SCR balance sheet) is the highest amount, it acts as starting point for the recoverability test. This total amount reflects the differences between the tax values and the Solvency II values for all assets and liabilities and the tax benefit on the SCR. Only if the total deferred tax is non-recoverable, the recoverability of the deferred tax in Own Funds becomes separately relevant.

The total recoverable deferred tax amount in a Solvency II environment may come from various sources and includes both recoverability from items that never impact taxable profits and reverse over time as well as sources of profits and losses that would emerge in a Solvency II environment or a Solvency II environment after a SCR-type shock would have occurred. The recoverability is therefore based on an estimation of the total taxable results (including both income and expenses) that is expected to arise in a Solvency II environment after the shock. The sources of recoverability include all components of the estimated future taxable results, irrespective whether these are income ('profit') or expense ('loss'). In this calculation the reduction of the ultimate corporate income tax rate from 25% to 20.5% is included, that was approved in December 2018.

Capital management Continued

The following items may be included in determining the total recoverable deferred tax amount:

- The amount of the risk margin in the technical provision
- Taxable return on capital after the shock, after recapitalisation to 100% SCR if applicable, net of expected dividends
- Reversal of the net effects of the credit-spread shock
- Taxable part of investment spread in excess of interest accretion on liabilities and funding costs over their (expected average) remaining duration.
- Profits from estimated new business
- Other taxable items

Delta Lloyd Levensverzekering has sufficient recoverable amounts to support the total deferred tax position on the economic balance sheet before shock.

The net deferred tax asset is classified as Tier 3 capital. Tier 3 capital cannot exceed 15% of the SCR. Further information on Tiering is included in Note 2.7.2 'Capital management' in the 2018 Financial statements of Delta Lloyd Levensverzekering.

Minimum Capital Requirement

Minimum Capital Requirement

In EUR thousand	2018	2017
Eligible Own Funds to cover Minimum Capital Requirements	2,428,664	1,957,337
of which Tier 1 unrestricted	1,931,979	1,467,413
of which Tier 1 restricted	348,314	344,597
of which Tier 2	148,371	145,327
Minimum Capital Requirements	**741,853**	**726,636**

For the MCR (and its inputs) as calculated in accordance with the formulas in the Solvency II regulations, reference is made to QRT S.28.01.01 as included in the Appendix.

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

Delta Lloyd Levensverzekering does not use the duration-based equity risk sub module.

E.4 Differences between the Standard Formula and any Internal Model used

Internal Model vs Standard Formula

Delta Lloyd Levensverzekering applies a Partial Internal Model as it better reflects the risk profile and contains additional benefits for risk management purposes. In particular:

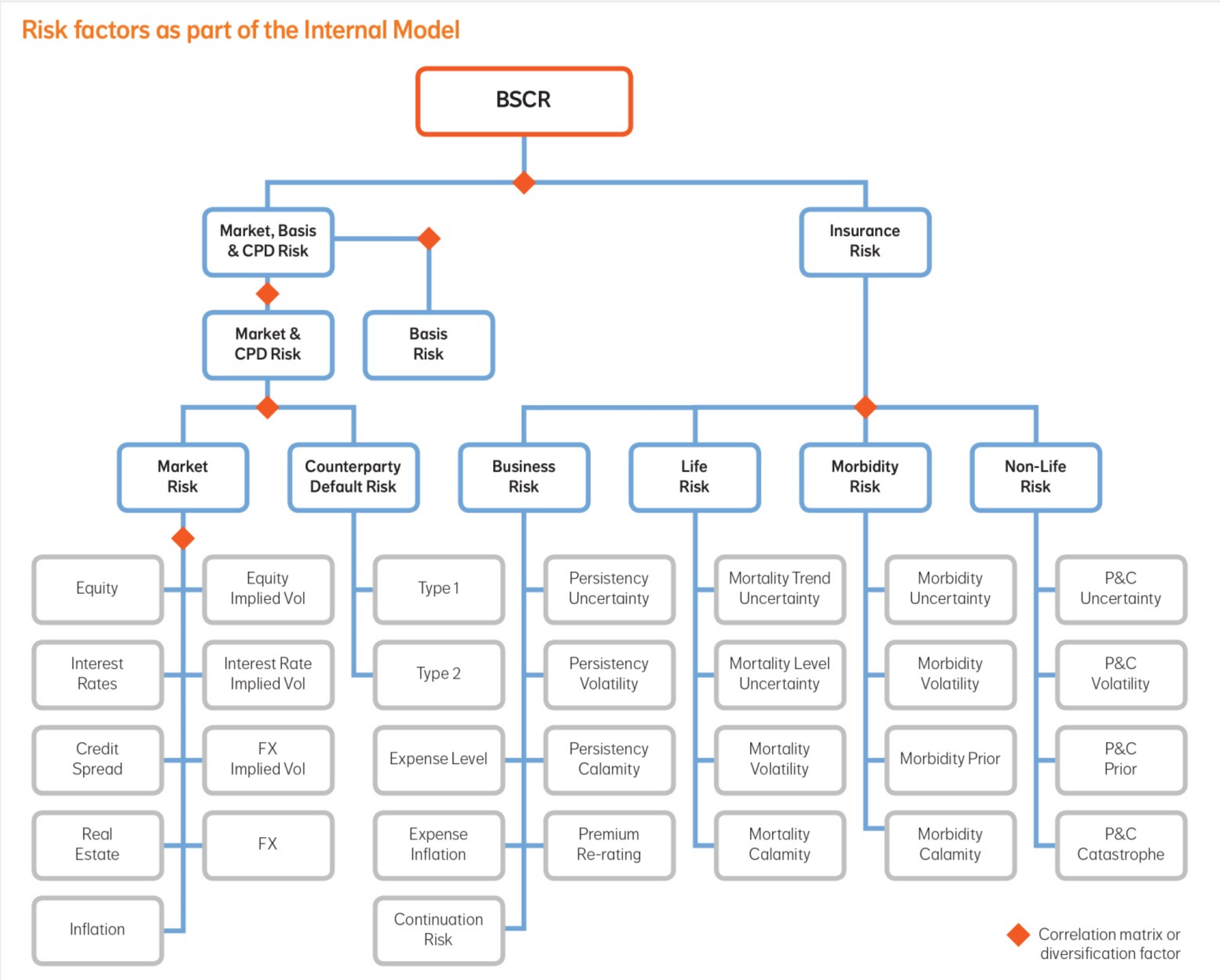
- An Internal Model approach better reflects the specific assets and therefore the market risk in the portfolio of Delta Lloyd Levensverzekering e.g. property risk, sovereign and other credit spread risks. In addition, the approach to the most significant non-market risks within Delta Lloyd Levensverzekering such as longevity (trend uncertainty) and expense risk (closed block treatment) is better tailored to the specific portfolio characteristics and statutory reserves set up according to local company law
- In the case of Disability/Morbidity Risks, the product features and experience in the Dutch market are different from those in the wider European market, e.g. greater emphasis is placed on claimants returning to work in the Netherlands
- The Standard Formula diversification assumptions do not recognise all the diversification of risks that exist in the Delta Lloyd Levensverzekering portfolios
- The Internal Model accounts for the volatility adjustment by means of an approach recognising the illiquidity of liabilities in the asset shocks. Reference is made to section D.2 (in paragraph 'Matching and volatility adjustment, transitional measures and transitional risk-free interest rate term structure') for further information on Delta Lloyd Levensverzekering's VOLA.

There are no differences between the Internal Models used at Delta Lloyd Levensverzekering and the Internal Model used to calculate the Group SCR.

In 2018, NN Group submitted a Major Model Change request to the DNB to expand its Partial Internal Model under Solvency II to include the Delta Lloyd Levensverzekering entity. The regulatory approval of the Partial Internal Model Major Model Change (PIM MMC) was received from the regulator (DNB) on 5 December 2018 from the DNB. The expanded approved Partial Internal Model is used to calculate regulatory capital requirements effective 31 December 2018. The updated Internal Model is the basis for this report.

Capital management Continued

Risks covered by the Internal Model which are not –or differently- covered in the Standard Formula



1 This scheme reflects the NN Group Internal Model, some risks are not applicable for NN Leven

Risk arises from the possibility that actual experience will negatively deviate from expectations, which results in economic losses for Delta Lloyd Levensverzekering. In this respect, Delta Lloyd Levensverzekering identified the following risk factors, and developed probability distributions for these various risk factors, as part of its Internal Model, which leads to the Basic Solvency Capital requirement ('BSCR'):

In addition to the risks covered in the Standard Formula, the Internal Model includes the following risks:

- Inflation risk is defined as the risk associated with adverse changes in both realised and future expected inflation rates
- Equity implied volatility refers to the possibility of adverse changes in Solvency II own funds due to adverse changes in the level of equity implied volatilities
- Interest rate implied volatility refers to the possibility of adverse changes in Solvency II own funds due to adverse changes in the level of interest rate implied volatilities
- Foreign Exchange implied volatility refers to the possibility of adverse changes in Solvency II own funds due to adverse changes in the level of FX implied volatilities
- Basis risk is the risk that occurs if the underlying asset or liability behaves differently than the underlying hedge instrument
- Continuation risk refers to political, country or legal risk

Capital management Continued

The most important differences between the Internal Model and the Standard Formula in covered risk factors are:

- Interest Rate Risk:
    - The Internal Model incorporates several shocks, including non-parallel ones, to the curve instead of only two parallel shocks used in the Standard Formula
    - The Internal Model uses absolute shocks, while the Standard Formula applies relative shocks to the base curves
    - The Internal Model allows for shocking negative interest rates, whereas the Standard Formula does not
    - In the Internal Model, first, the shock is applied to the interest rates and then the resulting rates are extrapolated to the Ultimate Forward rate. In the Standard Model the interest rates are first extrapolated to the Ultimate Forward rate and afterwards the shock is applied
    - In the Internal Model interest rates converge to the UFR after shock and thereby follow the dynamics of the balance sheet, whereas in the Standard Formula there is no convergence to the UFR after shock
- Equity Risk:
    - Level of shocks differs mainly because it is calibrated to the equity portfolio of Delta Lloyd Levensverzekering
- Credit Spread Risk:
    - Shocks in the Internal Model apply to all fixed income assets, whereas the Standard Formula does not apply shocks to the bonds issued by countries which are EU members
- Real Estate Risk:
    - Shock applied in the Standard Formula is calibrated to historical prices observed in the UK property market which is less representative for Delta Lloyd Levensverzekering's portfolio, while the shock in the Internal Model is calibrated to actual exposures of Delta Lloyd Levensverzekering
- Counterparty Default Risk:
    - Counterparty Default Risk module in the Standard Formula includes shocks applied to mortgage exposure, which are included under the Credit Spread module in the Internal Model
- Diversification within the Market Risk module:
    - The Internal Model assumes significant diversification between Interest Rate risk on the one hand, and Credit Spread and Equity risks on the other. Under the Standard Formula, diversification between these risks is different
- Life Risk:
    - Under the Internal Model, longevity risk (i.e. longevity trend uncertainty) is based on a multiyear model, whereas under the Standard Formula the longevity risk is estimated by permanently decreasing all mortality rates by the same fixed percentage.

Capital requirements for operational risk are calculated for Delta Lloyd Levensverzekering based on the Standard Formula, and added to the combined BSCR. Next, loss absorption effects from technical provisions and taxes are included.

The table below shows the results for the steps described above.

Solvency Capital Requirement

In EUR thousand	**2018**	**2017**
Market risk	792,745	1,195,054
Counterparty default risk	30,370	375,134
Non-Market Risk	1,679,970	1,188,342
Diversification	-511,493	-724,286
Operational risk	147,511	150,708
Loss-absorbing capacity of deferred taxes	-432,046	-476,427
Total Solvency Capital Requirement	**1,707,055**	**1,708,526**
DL Life SCR	180%	153%

Further reference is made to the QRT 25.02.21 in the Appendix.

The nature and appropriateness of the data used in the Internal Model

Market data is collected from pre-defined external data sources. The market data methodologies are based on the following key principles:

- All relevant market data must be used when it is available and is of sufficient quality, i.e. data derived from deep, liquid and transparent ('DLT') markets; for most of the market risk models Delta Lloyd Levensverzekering uses standard well established market data sources
- The market data used should be of sufficient quality; e.g. for most of the market risk models standard well established market data sources are used. The data is analysed for correctness as part of the calibration process;
- From the last observable liquid market data point, extrapolation methods must be used to complete the data set
- Extrapolated market data should:
    - Be free of arbitrage
    - Be based on sound theoretical assumptions and/or expert judgment
    - Follow a smooth path from the entry point to the unconditional long-term level
- Estimates of ultimate long-term rates or levels should be stable over time, and only change because of changes in long-term expectations

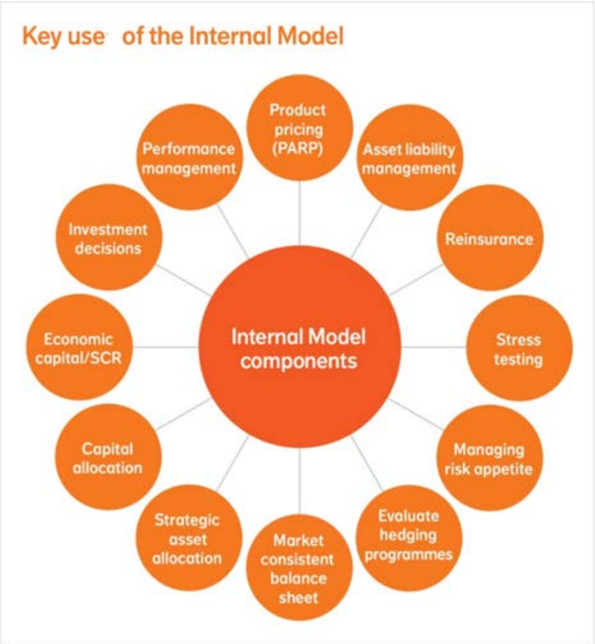
Capital management Continued

The use of the Internal Model

The Internal Model allows Delta Lloyd Levensverzekering to treat different risk management activities in a consistent way:

- The model provides a framework which is consistent across risk types, businesses and the key uses such as market valuation, capitalisation, product pricing, investments, monitoring of risk appetite and risk mitigation/transfer
- The model facilitates adequate risk management at all levels of the organisation and provides a framework to measure, monitor and manage risks versus Delta Lloyd Levensverzekering's risk appetite
- The model allows Delta Lloyd Levensverzekering to manage risk in many different ways, e.g.:
    - Manage individual risk types at a much more granular approach, i.e. a stochastic (loss distribution) approach
    - Manage volatility in a stochastic rather than deterministic approach
    - Supports valuation, scenario- and stress analysis by running scenarios in a simple way using replicating portfolios
- The model allows Delta Lloyd Levensverzekering to proactively define its risk measurement and management approach rather than awaiting (generic) industry changes to the Standard Formula

The Internal Model is used for different purposes. It is used to measure and manage the risks at all levels within the company, thus covering the entire loss distribution. This information is not only used to determine the SCR to cover tail risks. It is also used for, amongst others, wider risk management, capital management and business decisions such as product pricing and asset allocation. The following diagram provides an overview of the key use of the Internal Model.



The methods used in the Internal Model for the calculation of the probability distribution forecast and the Solvency Capital Requirement

For the market risk models the Normal Inverse Gaussian ('NIG') distribution is mostly used. The class of the NIG distributions is a flexible set of distributions that includes fat-tailed and skewed distributions. For some market risk models e.g. for the real estate risk model where fewer data points are available, the Normal or t-distribution are used.

Where there is lack of annual data, higher frequency data is used for the calibration of the distribution parameters. The distribution is then annualised for the calculation of the SCR.

To assess the quality of the calibration, the goodness-of-fit tests and back testing are applied.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

Delta Lloyd Levensverzekering complied with the MCR and the SCR during the reporting period.

E.6 Any other information

Reference is made to Note 2.7.2 'Capital management' in the 2018 Financial statements of Delta Lloyd Levensverzekering for any other material information regarding the capital management of Delta Lloyd Levensverzekering and financial leverage of Delta Lloyd Levensverzekering.

Capital management Continued

Subsequent events

Reference is made to Note 2.7.36 ‘Other events’ in the 2018 Financial statements of Delta Lloyd Levensverzekering for the nature and the effect of material events arising after the balance sheet date which are not reflected in the balance sheet, if any.

Appendix 1

Appendix 1: Quantitative Reporting Templates that form part of the Solvency and Financial Condition Report

This appendix includes certain Quantitative Reporting Templates ('QRTs') of Delta Lloyd Levensverzekering, required to be reported to DNB and to be publicly disclosed :

Reference number	Title	Description
S.02.01.02	Balance sheet	Balance sheet information using Solvency II valuation methodology
S.05.01.02	Premiums, claims and expenses by line of business	Information on premiums, claims and expenses using the valuation and recognition principles used in Delta Lloyd Levensverzekering's Financial Statements
S.12.01.02	Life and health similar to life provisions	Information on life and health similar to life provisions split by line of business
S.22.01.21	Impact of long term guarantees and transitional measures	Information on the impact of the long term guarantee and transitional measures
S.23.01.01	Own Funds	Information on Own Funds, including Basic Own Funds
S.25.02.21	Solvency Capital Requirement	Information on the Solvency Capital Requirement calculated using the Standard formula and a partial Internal model
S.28.01.01	Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity	Information on the Minimal Capital Requirement calculation.

All amounts in this appendix are recorded in EUR 1,000.

Appendix 1 Continued

S.02.01.02 Balance sheet

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	293,119
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	0
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	23,581,752
Property (other than for own use)	R0080	66,866
Holdings in related undertakings, including participations	R0090	1,212,764
Equities	R0100	155,670
Equities - listed	R0110	31,917
Equities - unlisted	R0120	123,753
Bonds	R0130	18,990,514
Government Bonds	R0140	14,067,341
Corporate Bonds	R0150	4,447,517
Structured notes	R0160	25,467
Collateralised securities	R0170	450,189
Collective Investments Undertakings	R0180	1,343,853
Derivatives	R0190	1,812,084
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	7,671,881
Loans and mortgages	R0230	10,609,127
Loans on policies	R0240	877
Loans and mortgages to individuals	R0250	8,194,093
Other loans and mortgages	R0260	2,414,158
Reinsurance recoverables from:	R0270	449,408
Non-life and health similar to non-life	R0280	
Non-life excluding health	R0290	
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	449,408
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	449,408
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	175,603
Reinsurance receivables	R0370	32,326
Receivables (trade, not insurance)	R0380	472,775
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	141,567
Any other assets, not elsewhere shown	R0420	295,439
Total assets	**R0500**	**43,722,998**

Appendix 1 Continued

		Solvency II value
		C0010
Liabilities		
Technical provisions – non-life	R0510	
Technical provisions – non-life (excluding health)	R0520	
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	
Risk margin	R0550	
Technical provisions - health (similar to non-life)	R0560	
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	
Risk margin	R0590	
Technical provisions - life (excluding index-linked and unit-linked)	R0600	29,415,449
Technical provisions - health (similar to life)	R0610	
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	29,415,449
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	27,652,580
Risk margin	R0680	1,762,869
Technical provisions – index-linked and unit-linked	R0690	7,938,065
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	7,707,132
Risk margin	R0720	230,932
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	21,660
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	268,898
Deferred tax liabilities	R0780	
Derivatives	R0790	543,909
Debts owed to credit institutions	R0800	1,479,210
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	419,415
Reinsurance payables	R0830	11,205
Payables (trade, not insurance)	R0840	299,394
Subordinated liabilities	R0850	886,040
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	886,040
Any other liabilities, not elsewhere shown	R0880	199,368
Total liabilities	**R0900**	**41,482,612**
Excess of assets over liabilities	**R1000**	**2,240,386**

Appendix 1 Continued

S.05.01.02 Premiums, claims and expenses by line of business

		Line of Business for: life insurance obligations			
		Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	
		C0220	C0230	C0240	C0300
Premiums written					
Gross	R1410	54,259	779,560	415,456	1,249,275
Reinsurers' share	R1420		0	3,331	3,331
Net	R1500	54,259	779,560	412,125	1,245,944
Premiums earned					
Gross	R1510	54,259	779,560	415,456	1,249,275
Reinsurers' share	R1520		0	3,331	3,331
Net	R1600	54,259	779,560	412,125	1,245,944
Claims incurred					
Gross	R1610	159,275	493,701	1,075,109	1,728,085
Reinsurers' share	R1620		4	26,874	26,878
Net	R1700	159,275	493,697	1,048,235	1,701,208
Changes in other technical provisions					
Gross	R1710	786,133	-7,075	10,773	789,831
Reinsurers' share	R1720	2,376	8	31,977	34,362
Net	R1800	783,757	-7,083	-21,204	755,469
Expenses incurred	**R1900**	**5,806**	**36,213**	**38,236**	**80,254**
Other expenses	R2500				74,758
Total expenses	**R2600**				**155,012**

Appendix 1 Continued

S.12.01.02 Life and Health SLT Technical Provisions

			Index-linked and unit-linked insurance			Other life insurance		
		Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts with options or guarantees	Total (Life other than health insurance, incl. Unit-Linked)
		C0020	C0030	C0040	C0050	C0060	C0080	C0150
Technical provisions calculated as a whole	R0010							
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020							
Technical provisions calculated as a sum of BE and RM								
Best Estimate								
Gross Best Estimate	R0030	1,310,757		4,564,913	3,142,220		26,341,823	35,359,713
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	0		0			449,408	449,408
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	1,310,757		4,564,913	3,142,220		25,892,415	34,910,305
Risk Margin	R0100	32,454	230,932			1,730,415		1,993,801
Amount of the transitional on Technical Provisions								
Technical Provisions calculated as a whole	R0110							
Best estimate	R0120							
Risk margin	R0130							
Technical provisions - total	R0200	1,343,211	7,938,065			28,072,237		37,353,514

Appendix 1 Continued

S.22.01.21 Impact of long term guarantees and transitional measures

		Amount with LTG measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero 1)	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	37,353,514			938,020	
Basic own funds	R0020	3,111,139			-745,726	
Eligible own funds to meet SCR	R0050	3,074,078			-708,665	
SCR	R0090	1,707,055			1,589,106	
Eligible own funds to meet MCR	R0100	2,428,664			-921,583	
Minimum Capital Requirement	R0110	741,853			82,187	

1 This reflects the impact to set the volatility adjustment to zero; it does not reflect second order impacts, such as changes to LAC DT (which is kept constant).

Reference is made to Section D.2. for more information on the impact of long term guarantees and transitional measures.

Appendix 1 Continued

S.23.01.01 Own funds

		Total C0010	Tier 1 - unrestricted C0020	Tier 1 - restricted C0030	Tier 2 C0040	Tier 3 C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	4,539	4,539			
Share premium account related to ordinary share capital	R0030	1,878,574	1,878,574			
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	48,866	48,866			
Subordinated liabilities	R0140	886,040		348,314	537,726	
An amount equal to the value of net deferred tax assets	R0160	293,119				293,119
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	3,111,139	1,931,979	348,314	537,726	293,119
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	3,111,139	1,931,979	348,314	537,726	293,119
Total available own funds to meet the MCR	R0510	2,818,019	1,931,979	348,314	537,726	
Total eligible own funds to meet the SCR	R0540	3,074,078	1,931,979	348,314	537,726	256,058
Total eligible own funds to meet the MCR	R0550	2,428,664	1,931,979	348,314	148,371	
SCR	R0580	1,707,055				
MCR	R0600	741,853				
Ratio of Eligible own funds to SCR	R0620	1.80				
Ratio of Eligible own funds to MCR	R0640	3.27				

Appendix 1 Continued

Reconciliation reserve		C0060
Excess of assets over liabilities	R0700	2,240,386
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	15,288
Other basic own fund items	R0730	2,176,233
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	48,866
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	162,979
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	
Total Expected profits included in future premiums (EPIFP)	**R0790**	**162,979**

Appendix 1 Continued

S.25.02.21 Solvency Capital Requirement - for undertakings using the Standard Formula and partial Internal Model

Unique number of component	Components description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
C0010	C0020	C0030	C0070	C0090	C0120
1001	Total capital requirement for market risk	812,835	812,835		
1002	Total capital requirement for market risk Seperate account business	546,842	546,842		
1003	Total capital requirement for counterparty default risk	30,370	30,370		
1004	Overall Insurance Risk	1,608,228	1,608,228		
1005	Overall Business Risk	278,888	278,888		
1006	Operational risk	147,511	147,511		
8					
9	Loss absorbing capacity for deferred taxes if not modelled within components	-432,046	-432,046		

Calculation of Solvency Capital Requirement		C0100
Total undiversified components	R0110	2,992,627
Diversification	R0060	-1,285,571
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	1,707,055
Solvency capital requirement excluding capital add-on	R0200	1,707,055
Capital add-ons already set	R0210	
Solvency capital requirement	R0220	1,707,055
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	
Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	R0310	-432,046
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

Appendix 1 Continued

S.28.01.01 Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

		C0010
MCRNL Result	R0010	

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080		
General liability insurance and proportional reinsurance	R0090		
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

		C0040
MCRL Result	R0200	741,853

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	1,310,757	
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230	7,707,132	
Other life (re)insurance and health (re)insurance obligations	R0240	25,892,415	
Total capital at risk for all life (re)insurance obligations	R0250		136,663,874

		C0070
Linear MCR	R0300	741,853
SCR	R0310	1,707,055
MCR cap	R0320	768,175
MCR floor	R0330	426,764
Combined MCR	R0340	741,853
Absolute floor of the MCR	R0350	3,700
		C0070
Minimum Capital Requirement	R0400	741,853

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