



**Delta Lloyd Levensverzekering N.V.**  
*(incorporated with limited liability in Amsterdam, The Netherlands)*  
**€500,000,000 Fixed to Floating Rate Subordinated Notes due 2042**

The €500,000,000 Fixed to Floating Rate Subordinated Notes due 2042 (the **Notes**) are issued by Delta Lloyd Levensverzekering N.V. (the **Issuer**). The denomination of the Notes will be €100,000 and integral multiples of €1,000 in excess thereof, up to and including €199,000.

Application has been made by the Issuer to The Netherlands Authority for the Financial Markets (the **AFM**) in its capacity as competent authority under the Dutch Financial Supervision Act (*Wet op het financieel toezicht (Wft)*) relating to prospectuses for securities, for the approval of this Prospectus for the purposes of Directive 2003/71/EC (the **Prospectus Directive**). Application has also been made by the Issuer to Euronext Amsterdam N.V. (**Euronext**) for the Notes to be listed on NYSE Euronext in Amsterdam (**Euronext Amsterdam**). References in this Prospectus to the Notes being “listed” (and all related references) shall mean that the Notes have been listed and admitted to trading on Euronext Amsterdam. Euronext Amsterdam is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

Up to 29 August 2022 (the **First Call Date**), the Notes bear a fixed rate of interest of 9.00 per cent. per annum, payable annually in arrear on 29 August of each calendar year (each a **Fixed Interest Payment Date**). If on the First Call Date the Notes will not have been redeemed in full in accordance with the terms and conditions of the Notes (the **Terms and Conditions**), the Notes will bear a floating rate of interest of Euribor for three month deposits in euro plus a margin of 8.12 per cent. per annum payable quarterly in arrear on 29 February (except in a year that is not a leap year, in which case, on 1 March of such year), 29 May, 29 August and 29 November in each year, for the first time on 29 November 2022 (each a **Floating Interest Payment Date** and together with each Fixed Interest Payment Date, each an **Interest Payment Date**).

Subject to the Terms and Conditions, the Issuer may on any Optional Interest Payment Date defer payment of interest on the Notes which would otherwise be payable on such date until the Maturity Date or any earlier date on which the Notes are redeemed in full.

In addition to the right of the Issuer to defer payment of interest in accordance with Condition 5(a)(i), payments in respect of or arising from (including any damages awarded for breach of any obligations under) the Notes may only be made provided the Mandatory Non-payment Condition is not met at the time of payment by the Issuer, and no interest shall be due and payable in respect of or arising from the Notes except to the extent that the Mandatory Non-payment Condition is not met and the Issuer could make such payment without the Mandatory Non-payment Condition being met, except where Condition 2 applies, in which case the holder shall have a subordinated claim as set out therein. Any interest in respect of the Notes not paid on any Interest Payment Date, together with any other interest in respect thereof not paid on any earlier Interest Payment Date, in each case by virtue of Condition 5(a), shall, so long as the same remains unpaid, constitute **Arrears of Interest**.

Arrears of Interest, and any other amount, payment of which is deferred in accordance with Condition 5(a), may be paid in whole or in part, but subject to the Mandatory Non-payment Condition not being met at the time of payment by the Issuer, at any time upon the expiry of not less than 14 days’ notice to such effect given by the Issuer to the holders of the Notes (the **Noteholders**), and in any event will automatically become immediately due and payable in whole upon the occurrence of certain events as described in Condition 5(b).

Unless the Notes are previously redeemed or purchased and cancelled in full, the Issuer will redeem the Notes at their principal amount, together with all Arrears of Interest and interest accrued (if any) on 29 August 2042 (the **Maturity Date**). So long as the Issuer is subject to Capital Adequacy Regulations, any redemption pursuant to Condition 6 may only be made provided the Mandatory Non-payment Condition is not met at the time of such redemption, and no principal, premium, interest or any other amount shall be due and payable in respect of or arising from the Notes except to the extent that the Mandatory Non-payment Condition is not met and the Issuer could make such payment without the Mandatory Non-payment Condition being met, except where Condition 2 applies, in which case the holder shall have a subordinated claim as set out therein. Any conversion, exchange, substitution, variation or purchase is subject to compliance with the Capital Adequacy Regulations.

The Issuer has the option to redeem all of the Notes in full on 29 August 2022 or on any Interest Payment Date thereafter (each an **Optional Redemption Date**) at their principal amount outstanding, together with any accrued and unpaid interest and any Arrears of Interest, subject to and in accordance with the Terms and Conditions. In addition, the Issuer may, subject to and in accordance with the Conditions 6(c) and 6(d), unless previously redeemed in full, redeem the Notes, in whole, but not in part, on not less than 30 nor more than 60 days’ irrevocable

notice to the Noteholders at their principal amount together with any interest accrued to (but excluding) the date fixed for redemption in accordance with the Terms and Conditions and any Arrears of Interest. In case of a Capital Disqualification Event in accordance with Conditions 6(d), the Issuer may, in its sole discretion but subject to compliance with applicable Capital Adequacy Regulations, convert, exchange or substitute the Notes in whole (but not in part) into or for another series of notes of the Issuer, or vary the terms of the Notes. Furthermore, the Issuer may redeem, convert, exchange or substitute the Notes in whole (but not in part) into or for another series of notes of the Issuer, or vary the terms of the Notes upon the occurrence of a Rating Methodology Event in accordance with Condition 6(e).

The Notes are expected to be rated BBB+ by Standard & Poor's Credit Market Services Europe Limited (**S&P**), a rating agency established in the European Community and registered pursuant to Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, amended by Regulation (EC) No 513/2011 of the European Parliament and of the Council of 11 March 2011. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Notes will initially be represented by a temporary global note (the **Temporary Global Note**), without interest coupons, which will be deposited on or about 29 August 2012 (the **Closing Date**) with a common safe-keeper for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global note (the **Permanent Global Note** and, together with the Temporary Global Note, the **Global Notes**), without interest coupons, on or after 8 October 2012 (the **Exchange Date**), upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Note will be exchangeable for definitive Notes only in certain limited circumstances. See "*Summary of Provisions relating to the Notes while represented by the Global Notes*".

Prospective investors should have regard to the risk factors described under the section headed "*Risk Factors*" in this Prospectus, but should read the complete Prospectus, including the documents incorporated by reference, to get a full understanding of the risks and merits inherent in an investment in the Notes.

Capitalised terms used, but not defined, in this section can be found elsewhere in this Prospectus. For the page reference of the definitions of capitalised terms used herein see "*Index of Defined Terms*". The language of the Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Sole Structuring Advisor and Arranger

**Rabobank International**

Joint Lead Managers

**Barclays**

**Morgan Stanley**

**Rabobank International**

Co-Lead Manager

**ABN AMRO**

The date of this Prospectus is 24 August 2012.

This prospectus comprises a prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the **Prospectus Directive**).

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Prospectus should be read and construed on the basis that such documents are incorporated and form part of the Prospectus.

To the fullest extent permitted by law, none of Barclays Bank PLC, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank International) and Morgan Stanley & Co. International plc (together, the **Joint Lead Managers**) and ABN AMRO Bank N.V. (the **Co-Lead Manager** and together with the Joint Lead Managers, the **Managers**) accepts responsibility whatsoever for the contents of this Prospectus or for any statement, made or purported to be made by a Manager or on its behalf in connection with the Issuer or the issue and offering of the Notes. The Managers have not independently verified such information. Each of the Managers accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Managers.

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or the Managers that any recipient of this Prospectus or any other information supplied in connection with the offering of the Notes should purchase the Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer or the Managers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Notes shall in any circumstances create any implication that there has been no change in the affairs of the Issuer or its affiliates since the date hereof or imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Managers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investor in the Notes of any information coming to their attention.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the **Securities Act**) and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Notes and on distribution of this document, see "*Subscription and Sale*" below.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. Neither the Issuer nor the Managers represent that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Managers which is intended to permit a public offering of the Notes or the distribution of this Prospectus in

any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the Netherlands and the United Kingdom), see "*Subscription and Sale*".

All references in this document to **euro**, **Euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

The Notes are intended to be held in a manner which will allow Eurosystem eligibility. This simply means that the Notes are intended upon issue to be deposited with one of the ICSDs (International Central Securities Depositories) as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

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## RISK FACTORS

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.*

### **Factors that may affect the Issuer's ability to fulfil its obligations under the Notes**

#### **Financial Risks**

#### **Changes in the financial markets and general economic conditions could have a material adverse effect on the Issuer's business, revenues, results and financial condition**

The Issuer's revenues, results and financial condition are affected by changing financial market and general economic conditions, which are outside the control of the Issuer. These conditions can cause the Issuer's results of operations to fluctuate from year to year, as well as on a long-term basis, in ways that may be unpredictable. These conditions include employment levels, consumer lending and spending, corporate spending, changes in monetary policies, changes in availability of debt financing, inflation, as well as fluctuations in interest rates, fluctuations in prices of equity, other securities or property in the countries in which it operates. The Issuer will also be affected by the impact on financial markets which may arise from catastrophic events, terrorism and other acts of war and the governmental and political developments relating to the foregoing, as well as social or political instability, diplomatic relations and international conflicts. These conditions also include economic cycles such as insurance industry cycles and banking industry cycles as well as financial market cycles, including volatile movements in market prices for securities.

Global financial markets have experienced extreme and unprecedented volatility and disruption, which have had, and may continue to have, a material adverse effect on the Issuer's revenues, results and financial condition. Further significant downturns in equity markets, further downward appraisals of property values and/or significant movements of interest rates and credit spreads could have a material adverse effect on the Issuer's capital and solvency position and results. The economic downturns could also result in increased incidence of internal and external fraud, including fraudulent claims by customers, theft, corruption and insider trading. Emergency measures designed to stabilise the European Union and the US financial markets are beginning to wind down.

Since 2009, governments and monetary authorities around the world, including in the Netherlands, have taken actions to stabilise financial markets and prevent the failure of financial institutions and states. The European sovereign debt crisis has continued until now and credit spreads have not yet fully returned to pre-global economic and financial crisis levels. The Issuer is monitoring its exposures closely, but the European sovereign debt crisis may affect the Issuer's results in the future.

As a result of the recent economic downturn, driving many countries into recession (including the Netherlands where the Issuer operates), there have been increasingly high levels of unemployment. Bank

lending has been severely reduced and the housing markets in Europe and North America have declined. In addition to the other risks described in this section, these conditions have resulted, and may continue to result, in a reduction in demand for the Issuer's products, as well as a reduction in the value of its assets under management (**AUM**). The Issuer has experienced, and may continue to experience, more fluctuations in claims and policy lapses and withdrawals. Any reduction in demand for the Issuer's products, decline in the market value of the Issuer's assets under management or an increase in policy lapses or withdrawals, would result in a reduction in the fee and premium income generated by the Issuer.

Furthermore, the Issuer's cost of protecting itself against certain risks, in particular interest rate volatility and equity risk, that are related to these distressed conditions through, for instance, derivative instruments has been proportionally higher due to the volatility in the financial markets. The Issuer cannot predict how long these distressed conditions will continue, but sustained volatility and continuance of these distressed conditions or any repeat of such distressed conditions could increase the costs of hedging and materially adversely affect its business, revenues, results, cash flows and financial condition.

**The Issuer is exposed to credit risks, and defaults or increased fear of default of the Issuer's debtors or entities in which the Issuer has invested could have a material adverse effect on the value of the Issuer's assets**

Credit risk refers to the potential losses incurred by the Issuer as a result of debtors not being able to fulfil their obligations when due, or a perceived increased likelihood thereof. Losses incurred due to credit risk include actual losses from defaults, market value losses due to credit rating downgrades and/or spread widening, or impairments and write-downs. The Issuer is exposed to various types of general credit risk, including spread risk, default risk and concentration risk.

Like most insurance companies, the Issuer has a significant fixed income portfolio in which assets are matched against its life insurance liabilities. The fixed income portfolio is measured at fair market value. The Issuer is exposed to the risk that the market value of these assets decreases. A number of factors can cause an individual asset or a whole class of assets to decrease in market value, including a perception or fear in the market that there is an increase in the likelihood of defaults (the "spread risk"), or a material decline in the liquidity of these assets making them difficult to value.

The Issuer is also exposed to default risk, which is the risk that third parties owing money, securities or other assets to the Issuer do not pay or fulfil their obligations when due. These parties include trading counterparties, counterparties under swaps and credit and other derivative contracts, clearing agents, exchanges, clearing houses, reinsurers, bond issuers, and financial intermediaries. Third parties may default on their obligations to the Issuer due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure, fraud or other reasons.

The Issuer is also exposed to concentration risk, which is the risk of default by counterparties or investments in which it has taken large positions. A single default of a large exposure could therefore lead to a significant loss for the Issuer.

**The Issuer is exposed to counterparty risk in relation to other financial institutions. Deteriorations in the financial soundness of other financial institutions may have a material adverse effect on the Issuer's business, revenues, results and financial condition**

Due to the nature of the global financial system, financial institutions, such as the Issuer, are interdependent as a result of trading, counterparty and other relationships. Other financial institutions with whom the Issuer conducts business act as counterparties to the Issuer in such capacities as borrowers under loans, issuers of securities, customers, banks, reinsurance companies, trading counterparties, counterparties under swaps and credit and other derivative contracts, clearing agents, exchanges, clearing houses, brokers and dealers, commercial banks, investment banks, mutual and hedge funds and other financial intermediaries. In any of

these capacities, a financial institution acting as a counterparty may not perform their obligations due to, among other things, bankruptcy, lack of liquidity, market downturns or operational failures, and the collateral or security they provide may prove inadequate to cover their obligations at the time of the default.

The interdependence of financial institutions means that the failure of a sufficiently large and influential financial institution due to disruptions in the financial markets could materially disrupt securities markets or clearance and settlement systems in the markets. This could cause severe market declines or volatility. Such a failure could also lead to a chain of defaults by counterparties that could materially adversely affect the Issuer. This risk, known as "systemic risk", could adversely impact future product sales as a result of reduced confidence in the insurance and banking industries. It could also reduce results because of market declines and write-downs of assets and claims on third parties. The Issuer believes that despite increased focus by regulators around the world with respect to systemic risk, this risk remains part of the financial system in which the Issuer operates and dislocations caused by the interdependency of financial market participants could have a material adverse effect on its business, revenues, results and financial condition.

**The Issuer's exposure to fluctuations in the equity, fixed income and property markets could result in a material adverse effect on its returns on invested assets and the value of its investment portfolio or its solvency position**

The Issuer's investment returns are highly susceptible to fluctuations in equity, fixed income and property markets.

The Issuer bears all the risk associated with its own investments. Fluctuations in the equity, fixed income and property markets affect the Issuer's profitability, capital position and sales of equity related products. A decline in any of these markets will lead to a reduction of unrealised gains in the asset or result in unrealised losses and could result in impairments. Any decline in the market values of these assets reduces the Issuer's solvency, which could materially adversely impact the Issuer's financial condition and the Issuer's ability to attract or conduct new business.

The value of the Issuer's own risk fixed income portfolio could be affected by changes in the credit rating of the issuer of the securities as well as by liquidity generally in the bond markets. When the credit rating of the issuer of the debt securities falls, the value of the fixed income security may also decline. In addition, most of the Issuer's fixed income securities are classified as financial assets at fair value through profit or loss and, as a result, any decline in the market value of these fixed income securities is reflected as a loss in the period during which it occurred, even if the Issuer has not sold the securities but kept them in its portfolio.

The value of the Issuer's property portfolio is subject to risks related to, amongst others, occupancy levels, rent levels, consumer spending, prices of properties and interest rates. Due to the recent economic downturn, the property market faces worsening commercial property occupancy levels and low consumer spending on residential property, which, in turn, could reduce returns on property investments. Occupancy levels could drop if the Issuer does not properly manage the contractual provisions governing the leases related to the properties. For instance, short-term contracts or provisions entitling customers to terminate contracts early could reduce occupancy. The recent economic downturn could also result in a further decline in the market values of residential and commercial properties as a result of reluctance in the market to further buy property or to invest in new building projects. Any decline in the market values of its property investments could have a material adverse effect on the Issuer's business, revenues, results and financial condition.

The Issuer is exposed not only in respect of its own capital invested in equities, fixed income assets and property, but also in respect of its liabilities to policyholders in respect of the funds of policyholders and other customers invested in equities, fixed income assets and property under life insurance contracts such as unit-linked products and investment contracts.



Many of the Issuer's life insurance products guarantee a minimum investment return or minimum accumulation at maturity to the policyholder. In the event that the decline in value of the invested assets is greater than the decline in liabilities associated with the guaranteed benefits, the Issuer must increase its provisions formed for the purpose of funding these future guaranteed benefits, which will result in an adverse impact on the Issuer's results.

In addition, the Issuer's revenues from unit-linked products (including those without minimum guarantees) and investment contracts depend on fees paid by the customer. Because those fees are generally assessed as a percentage of AUM, they vary directly with the market value of such assets. Therefore a general decline in financial markets, including in particular equity markets, will reduce the Issuer's revenues under these contracts.

**Interest rate volatility and sustained low interest rate levels could have a material adverse effect on the Issuer's revenues, results and financial condition**

Interest rate risk generally originates from movements of interest rates, either upwards or downwards, and a mismatch in the duration of assets and liabilities. Interest rates are highly sensitive to many factors, including governmental, monetary and tax policies, domestic and international economic and political considerations, fiscal deficits, trade surpluses or deficits, regulatory requirements and other factors beyond the control of the Issuer. The value of the Issuer's liabilities in respect of certain products, notably annuities, varies as interest rates fluctuate. While the value of fixed income assets and derivatives is also affected by fluctuations in interest rates, the impact of such fluctuations on assets and liabilities may be different due to factors such as differences in volume and duration. Furthermore, interest rates of different maturities can also fluctuate relative to each other. This results in a steepening or flattening of the yield curve. This may have an effect on the Issuer's assets and liabilities, may lead to losses and may have an impact on the valuation of the Issuer.

The Issuer uses derivative instruments such as interest rate swaps and swaptions to mitigate its exposure to interest rate volatility. Any mismatch between the interest rate used for discounting the liabilities and the hedged interest rate could render the hedge unsuccessful and expose the Issuer to unexpected losses and volatility.

**Illiquidity of certain investment assets could prevent the Issuer from selling investments at fair prices in a timely manner**

Liquidity risk is inherent in much of the Issuer's business. Each asset purchased and liability sold has unique liquidity characteristics. Some assets have high liquidity in that they can be converted into cash relatively quickly, while other assets, such as privately placed loans, mortgage loans, property and limited partnership interests, have low liquidity. Market downturns exacerbate low liquidity. They may also reduce the liquidity of those assets which are typically liquid, as has occurred with the markets for asset-backed securities relating to property assets and other collateralised debt and loan obligations. Since 2007, illiquidity has generally been higher than before in all fixed income classes, particularly in asset-backed securities. Due to illiquidity in the capital markets for certain asset classes, the Issuer may be unable to sell or buy assets at market efficient prices and may therefore realise investment losses or be obliged to issue securities at higher financing costs.

**Adverse experience compared with the assumptions used in pricing products, establishing provisions and reporting business results could have a material adverse effect on the Issuer's business, revenues, results and financial condition**

The Issuer's financial results from its operations and its embedded value depend to a significant extent on whether its actual experience is consistent with the assumptions and models used at the time the policy is underwritten, when setting the prices for products and establishing the provisions for future policy benefits and claims. These assumptions are estimates based on historical data and statistical projections of what the

Issuer believes the settlement and administration of its liabilities will be and are therefore applied to arrive at quantifications of some of the Issuer's risk exposures.

Although the Issuer monitors its actual experience against the assumptions it has used and refines its long-term assumptions in accordance with actual experience, it is impossible to determine the precise amounts that are ultimately payable. Statistical methods and models may not accurately quantify the Issuer's risk exposure if circumstances arise that were not observed in the historical data or if the data otherwise proves to be inaccurate.

Lapse risk, which is the risk of policy lapses or withdrawal increases beyond expectations, is another important variable for the Issuer's business as the Issuer is not always able to fully recover the up-front expenses incurred by it in selling a product and it may force the Issuer to sell assets at depressed prices. Lapse risk could have a material adverse effect on the Issuer's fee income, revenues and results. The Issuer is facing the consequences of external developments related to the distribution fees of insurers. This relates to the prohibition of retrocession fees for brokers that will probably be effective per 1 January 2013 for complex financial products such as life insurance, occupational disability insurance and mortgages in particular.

In addition, certain acquisition costs related to the sale of new policies and the purchase of policies already in force are deferred and recorded as assets on the Issuer's balance sheet and are amortised into income over time. If the assumptions relating to the future profitability of these policies (such as assumptions relating to future claims, investment income and expenses) are not realised, these costs could be amortised faster or written off entirely if deemed unrecoverable. The accelerated amortisation or write-off could have a material adverse effect on the Issuer's results.

#### **Changes in longevity, mortality and morbidity experience may materially adversely affect the results of the Issuer**

The Issuer's is exposed to longevity risk (the risk the insured party lives longer), mortality risk (the risk the insured party dies sooner) and morbidity risk (the risk the insured party falls seriously ill or is disabled).

Annuities (including the Issuer's single premium group pension business) and other life insurance products are subject to longevity risk, which is the risk that annuitants live longer than was projected at the time their policies were issued, with the result that the insurer must continue paying out to the annuitants for longer than anticipated (and therefore longer than was reflected in the price of the annuity and in the liability established for one policy).

Although the Issuer believes that its established provisions are adequate, due to the uncertainties associated with such provisions (in particular the risk of future life expectancy increasing at a faster rate than expected), there can be no assurance that its provisions will indeed be adequate and the Issuer expects more additions to its provisions on account of longevity risk will have to be made in future years. Should the provisions be insufficient, the Issuer's business could suffer significant losses that could have a material adverse effect on its business, revenues, results and financial condition.

The Issuer's life insurance business is also exposed to mortality risk, especially in term life insurance and pension contracts where the surviving partner is the beneficiary. The mortality risk associated with the Issuer's life business has been partly reinsured in an effort to control the risk.

The Issuer's life insurance business is exposed to morbidity risk, in particular the risk that more policyholders than anticipated will suffer from long-term health impairments and the risk, in the case of income protection or waiver of premium benefits, that those who are eligible to make a claim do so for longer than anticipated (and therefore longer than was reflected in the price of the policies and in the liability established for the policies). Improvements in medical treatments that prolong life without restoring the

ability to work could lead to these risks materialising. The Issuer has partly reinsured the morbidity risk in an effort to control this risk.

**Reinsurance may not be available, affordable or adequate to protect the Issuer against losses, and reinsurers may default on their reinsurance obligations**

As part of its overall risk and capacity management strategy, the Issuer purchases reinsurance for certain risks underwritten by various of its business lines. Market conditions beyond the Issuer's control determine the availability and cost of reinsurance. The Issuer may therefore be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could materially adversely affect its ability to write future business and expose it to higher levels of losses. The ceded risks vary significantly based on individual treaties.

**Catastrophic events could result in material financial losses in the Issuer's business**

The Issuer's results and financial condition could be adversely affected by volatile natural and man-made disasters such as hurricanes, heavy storms, earthquakes, terrorism, riots, fires and explosions, pandemic disease and other catastrophes. The Issuer's exposure is a function of the frequency of catastrophic events and the severity of the individual events. The incidence and severity of catastrophes are inherently unpredictable and a single catastrophe or multiple catastrophes in any one year could have an adverse effect on the Issuer's financial condition. Over the past several years changing weather patterns and climatic conditions have added to the unpredictability and frequency of natural disasters in certain parts of the world and created additional uncertainty as to future trends and exposure. Generally, the Issuer seeks to reduce its exposure to these events through individual risk selection, monitoring risk accumulation and purchasing reinsurance. However, such efforts to reduce exposure may not be successful and such events could therefore lead to considerable financial loss, which could materially adversely affect the Issuer's results and financial condition.

**Strategic Risks**

**The Issuer relies heavily on its network of intermediaries in the Netherlands to sell and distribute its products and may not be able to maintain a competitive distribution network**

Although the Issuer uses a number of distribution channels for the marketing and offering of its products and services in the Netherlands, its intermediary channel is the most important.

The intermediaries in the Netherlands are independent of the Issuer. While the Issuer does provide financing for some Dutch intermediaries, it does not take equity stakes in them. In addition, the Issuer does not have exclusivity agreements in place with Dutch intermediaries so they are free to offer products from other insurance companies as well, and there is no obligation on them to give precedence to the products of the Issuer.

The successful distribution of the Issuer's products in the Netherlands therefore depends on the preferences of intermediaries for its products and services. An intermediary assesses which companies are suitable for it and its customers by considering, among other things, the security of investment and prospects for future investment returns in the light of a company's product offering, past investment performance, financial strength and perceived stability, ratings, the amount of initial and recurring sales commission and fees paid by a company and the quality of the service provided to the intermediary. An intermediary then determines which products are most suitable by considering, among other things, product features and price. An unsatisfactory assessment by an intermediary of the Issuer and its products based on any of these factors could result in the Issuer generally, or in particular certain of its products, not being actively marketed by intermediaries to their customers in the Netherlands.

A prohibition of commissions for intermediaries is likely to be implemented by 1 January 2013 for complex financial products like life insurance, pensions, mortgages and permanent health (disability) insurance. Commissions are now included in the gross price of these products for the end customer. Further cancellation of profit commission and bonuses for underwriting agents also appears to be in progress. Developments lead to unrest and uncertainty for the intermediaries and they will have to adapt their business model quickly. The risk for the Issuer is that its collaborating agents may no longer be viable and overall production and portfolio could significantly decrease.

**The Issuer faces significant competition from other insurers and non-insurance financial services companies such as banks, broker-dealers and asset managers which offer the same or similar products and services, in each of its markets**

There is substantial competition in the financial services industry based principally on price, product features, commission structures, financial strength, claims paying ability, ratings, administrative performance, support services and name recognition. The Issuer faces intense competition from a large number of insurance companies and non-insurance financial services companies such as banks, broker-dealers and asset managers, regarding the delivery of products to individual customers, pension funds and intermediaries. The Dutch insurance market is a mature and highly penetrated market, and the growth potential of insurance companies in the Netherlands is limited. Some of the Issuer's competitors may have greater financial, technical and operating resources or have more established and diversified operations in terms of product range, distribution channels and geographical spread or offer alternative products, more efficient service delivery or more competitive pricing than the Issuer. Some of the Issuer's competitors may also be subject to more favourable regulatory requirements.

Generally, the Issuer could lose market share, incur losses on some or all of its activities and experience lower growth, if it is unable to offer competitive, attractive and innovative products and services that are also profitable, does not choose the right product offering or distribution strategy, fails to implement such a strategy successfully or fails to adhere or successfully adapt to such demands and changes.

In addition, the Issuer's competitive position could also be materially adversely impacted if it is unable to reduce and control its operating expenses, and as a result it is unable to follow the market in offering lower prices, causing its products to lose their competitiveness. Furthermore, competition could be intensified by the development of alternative distribution channels for certain types of insurance and securities products. Any increase in competition could result in increased pressure on product pricing and commissions on a number of products, which could, in turn, have a material adverse effect on the Issuer's results and harm its ability to maintain or increase its market share.

**The Issuer is exposed to further changes in the competitive landscape in which it operates**

The recent economic downturn has resulted in important changes in the competitive landscape in which the Issuer operates and further changes can be expected. The financial distress experienced by certain financial services industry participants in the Netherlands and (including some of the Issuer's major competitors) as a result of such market and economic conditions have led and may lead to further consolidation in both the insurance and banking markets through acquisitions, forced takeovers and the formation of new alliances. An increased level of consolidation could enhance the competitive position of some of the Issuer's competitors by broadening their product and services ranges, increasing their distribution channels and their access to capital. Although the Issuer will continuously evaluate its opportunities for acquisitions, joint ventures, alliances or investments that may take advantage of such consolidation, any failure by the Issuer to successfully identify suitable transactions, properly value transactions, complete transactions or otherwise respond to changes in the competitive landscape could harm the Issuer's competitive position, and its ability to maintain or increase its market share and profitability.

Regulatory changes can also open up new areas of competition. One of the most recent changes is that pension funds may have subsidiaries, that can be pension providers and insurance subsidiaries. Any such regulatory changes resulting in pension funds being allowed to service markets currently primarily serviced by insurance companies could further alter competitive positions as the pension funds have strong, recognised brands that are synonymous with reliability, trustworthiness and financial stability. Pension funds also have easy access to large numbers of participants and pensioners for cross-selling of any of their insurance products. Furthermore, pension funds are not subject to the same prudential supervision and solvency restrictions as insurance companies (Financial Assessment Framework (*Financieel Toetsingskader*) for pension funds and Solvency for insurance companies). Proposals to align to the supervisory requirements for pension funds and insurance companies are being discussed and will result in adapting the Institutions for Occupational Retirement Provision (IORP) Directive in Europe.

Regulatory changes could also result in a reduction in the demand for the Issuer's pension products. Since 2007, companies that previously only had the option of going to an insurer or incorporating their own pension plans, now also have the option to affiliate with industry-wide pension funds on a voluntary basis. Furthermore, as of 1 January 2008 it is possible for divested companies to remain affiliated with the company pension fund of their former parent company, while they were previously obliged to obtain an insurer or incorporate its own pension fund to administer its pension plan. In addition, in January 2011 the Dutch State has introduced new pension vehicles which enable pension funds to cooperate and realise cost savings through economies of scale without having to pool their assets. They provide pension funds with an alternative to the Issuer's pension products. Delta Lloyd has started a joint venture with Binck Bank (BeFrank, premium pension institution), but also seven other premium pension institutions are also active in the same market as BeFrank; hence the market is very competitive. The introduction of multi-company pension funds for Dutch companies would provide pension funds with an alternative to transferring their pension schemes directly to insurers.

#### **The Issuer is exposed to the risk of damage to any of its brands, brands of its partners or its reputation**

The Issuer's success and results are, to a certain extent, dependent on the strength of its brands and the Issuer's reputation. The Issuer and its products are vulnerable to adverse market perception as it operates in an industry where integrity, customer trust and confidence are paramount. The Issuer relies on its principal brand, Delta Lloyd, but is also dependent on other brands such as OHRA, ABN AMRO Insurance, Erasmus and Cyrte Investments B.V. (**Cyrte**). The Issuer is exposed to the risk that litigation (such as on mis-selling), employee misconduct, operational failures, the outcome of regulatory investigations, press speculation and negative publicity, amongst others, whether or not founded, could damage its brands or reputation. Any of the Issuer's brands or the Issuer's reputation could also be harmed if products or services recommended by the Issuer (or any of its intermediaries) do not perform as expected (whether or not the expectations are founded) or the customer's expectations for the product change.

Any damage to the Issuer's brands (or brands associated with the Issuer) or reputation could cause existing customers or intermediaries to withdraw their business from the Issuer and potential customers or intermediaries to be reluctant or elect not to do business with the Issuer. Furthermore, negative publicity could result in greater regulatory scrutiny and influence market or rating agencies' perception of the Issuer, which could make it more difficult for the Issuer to maintain its credit rating. Any damage to the Issuer's brands or reputation could cause disproportionate damage to the Issuer's business, even if the negative publicity is factually inaccurate or unfounded.

#### **The Issuer's business is concentrated in the Netherlands**

The Issuer is particularly exposed to the economic, market, fiscal and regulatory conditions in the Netherlands and highly susceptible to changes in any of these conditions. Its own risk investment portfolio, in particular its equity and real estate portfolios are also particularly exposed to changes in the Dutch economic and market conditions.

Economic conditions have been difficult in the Netherlands in last years. Any further deterioration in these conditions or a long-term persistence of these conditions could result in a downturn in new business and sales volumes of the Issuer's products, and a decrease of its investment return, which, in turn, could have a material adverse effect on the Issuer's growth, business, revenues and results.

### **Regulatory Risks**

#### **Changes in government regulations in the countries in which the Issuer operates may have a material adverse effect on its business, revenues, results and financial condition**

The Issuer's business is heavily regulated and supervised. Failure to comply with any laws and regulations could lead to disciplinary action, the imposition of fines and/or revocation of a licence, permission or authorisation necessary for the conduct of the Issuer's business or civil liability, all or any of which could have a materially adverse effect on the Issuer's business.

Laws and regulations applied at a national level generally grant supervisory authorities broad administrative discretion over the Issuer's activities, including the power to limit or restrict business activities. It is possible that laws and regulations governing the Issuer's business or particular products and services could be adopted, amended or interpreted in a manner that is adverse to the Issuer. These include laws and regulations that (a) reduce or restrict the sale of the products and services offered by the Issuer, (b) negatively affect the pricing, distribution or performance of these products and services, (c) prohibit the Issuer from putting certain exclusions in its insurance policies or (d) affect the Issuer's solvency and capital requirements. The Issuer's revenues, costs, results and available or required regulatory capital could also be affected by an increase or change in regulations. In recent years, the general trend in Dutch regulation has been to hold financial institutions to increasingly stricter and more detailed standards concerning their duty of care to their customers. This trend affects the Issuer's Dutch life insurance business through rules regarding the sale of pension and life insurance products to individuals as well as the introduction of life cycle investment restrictions in collective defined contribution plans.

#### **The EU Commission is currently in the process of introducing a new regime governing solvency margins and provisions, the effect of which is uncertain**

The EU Commission is carrying out a wide-ranging review in relation to solvency margins and provisions (the project being known as **Solvency II**). It is intended that the new regime for insurers and reinsurers (apart from very small firms) will apply more risk-sensitive standards to capital requirements, bring insurance regulation more closely in line with banking and security regulation with a view to avoiding regulatory arbitrage, align regulatory capital with economic capital and introduce an enhanced degree of public disclosure.

The European Parliament and Council of the European Union approved the directive containing the framework principles of Solvency II on 22 April and 5 May 2009, respectively. Adaptations to the directive are expected to be adopted in 2012. The new legislation is currently foreseen to become fully applicable on 1 January 2014.

It is still uncertain when the Solvency II rules will be finalised before the EU's target deadline of 2014, as well as how the final form of those rules might look. The Issuer therefore cannot predict the exact impact that the rules will have on the Issuer, its business, capital requirements, financial condition, key risk management resources or results of operations. The Issuer is opting for an internal model to determine its regulatory capital under Solvency II. The Issuer has been using its own methodology to calculate required capital on an economic basis for a number of years. This required capital is used for internal risk management purposes and reporting to the Dutch Central Bank as part of the Issuer's Economic Capital reporting requirements. These methodologies have been reviewed for compliance with Solvency II. Given

the uncertainty of future implementation of Solvency II, there can be no assurance that the Issuer will not need to strengthen its solvency if and when Solvency II enters into force.

**Litigation and regulatory investigations and sanctions may have a material adverse effect on the Issuer's business, revenues, results and financial condition**

The Issuer faces significant risks of litigation and regulatory investigations and actions in the conduct of its business. In recent years, the financial services industry and financial products have increasingly been the subject of litigation, investigation and regulatory activity by various governmental, supervisory and enforcement authorities. The litigation and investigations concern common industry practices such as the disclosure of contingent commissions, transparency of costs and the accounting treatment of finite reinsurance or other non-traditional insurance products. Such investigations into the financial services industry generally, and specifically with respect to the Issuer, are ongoing.

The Issuer cannot predict the effect that the current trend towards litigation and investigation will have on the financial services industry or its business. Current and future investigations by supervisory authorities, in particular in the context of market conduct supervision, could result in sanctions, require the Issuer to take costly measures or result in changes in laws and regulations in a manner that is adverse to the Issuer and its business. Changes to the pricing structure of any products resulting from legal or regulatory action, a substantial legal liability or a significant regulatory action could have a material adverse effect on the Issuer's business, revenues, results and financial condition. In addition, the Issuer's reputation could suffer and it could be fined or prohibited from engaging in some of its business activities or be sued by customers if it does not comply with applicable laws or regulations. It is inherently difficult to predict the outcome of many of the pending or future claims, regulatory proceedings and other adversarial proceedings involving the Issuer, particularly those cases in which the matters are brought on behalf of various groups of claimants, seeking damages of unspecified or indeterminate amounts or involving novel legal claims.

**The Issuer is exposed to the risk of mis-selling claims from customers who feel misled or treated unfairly**

The Issuer's products are exposed to mis-selling claims. Mis-selling claims are claims from customers that they received misleading advice from advisers (internal and external) as to which products were most appropriate for them, or that the terms and conditions of the products, the nature of the products or the circumstances under which the products were sold, were misrepresented to them. Products distributed through person-to-person sales forces have a higher exposure to mis-selling as the sales forces provide face-to-face financial planning and advisory services. Customers (whether they be individual or group customers) who feel that they have been misled have sought, and may in the future seek, redress for expectations that the advice or perceived misrepresentations created. They may also hold the insurance company accountable for the advice given by an intermediary, even though the insurance company has no control over the intermediary. Complaints may also arise in respect of any other aspect of the Issuer's business if customers feel that they have not been treated reasonably or fairly (whether or not this accurate or well founded) or that the Issuer has not complied with its duty of care. Furthermore, customers' views of what is fair and reasonable could change over time.

**Operational Risks**

**The Issuer's operations support complex transactions and are highly dependent on the proper functioning of information technology and communication systems. Any failure of its information technology or communications systems could have a material adverse effect on its results and reputation**

The Issuer relies heavily on its operational processes and communication and information systems to conduct its business, including (without limitation) to determine the pricing of its products, its underwriting

liabilities, the required level of provisions and the acceptable level of risk exposure and to maintain accurate records, customer services and compliance with its reporting obligations. The Issuer depends greatly on third party providers of administration and IT services and other back office functions. The Issuer's Dutch operations have outsourced telecommunications services to KPN. The Issuer has in-sourced other parts of its Dutch ICT services after it terminated an outsourcing contract on 1 July 2009, but will consider outsourcing these services again in the future.

Any interruption in the Issuer's ability to rely on its internal or outsourced IT services or deterioration in the performance of these services could impair the timing and quality of the Issuer's services to its customers and result in loss of customers, inefficient or detrimental transaction processing and regulatory non-compliance, all of which could also damage the Issuer's brands and reputation. Furthermore, if the contractual arrangements put in place with any third party providers are terminated, the Issuer may not find an alternative outsource provider on a timely basis or on equivalent terms. The occurrence of any of these events could have a material adverse effect on the Issuer's business, revenue, results and financial condition.

In addition, even though back-up and recovery systems and contingency plans are in place and legacy removal and upgrading (quality improvement) of its systems are in process to update old systems and infrastructure, the Issuer cannot assure investors that interruptions, failures or breaches in security of these processes and systems will not occur or, if they do occur, that they will be adequately addressed. Furthermore, the Issuer is exposed to cyber crime risks. Login credentials of customers, intermediaries and employees may be intercepted by cyber criminals (e.g. Trojan on PC). This could lead to abuse of information and harm the Issuer's reputation.

Any interruptions, failures or breaches in security of these processes and systems could also result in a loss of customers and/or materially adversely affect the Issuer's ability to compete with its competitors.

#### **The Issuer may not be able to retain or attract personnel who are key to the business**

The success of the Issuer's operations is dependent, among other things, on its ability to attract and retain highly qualified professional personnel including, a sufficiently-sized population of staff familiar with and appropriately qualified for the requirements of a listed company and, in particular, with the expertise required to meet the disclosure and financial reporting obligations of a listed company. Competition for key personnel in most countries in which the Issuer operates is intense. Its ability to attract and retain key personnel, in particular senior officers, experienced portfolio managers, mutual fund managers, sales executives, risk managers, financial reporting managers, actuaries and compliance officers, is dependent on a number of factors, including prevailing market conditions and compensation packages offered by companies competing for the same talent. Any failure by the Issuer to retain or attract qualified personnel could have a material adverse effect on its business, revenues, results or financial condition.

#### **Catastrophic events could threaten the Issuer's business continuity**

Natural disasters, terrorism, floods and fires could disrupt the Issuer's operations and result in significant loss of property, key personnel and information about its customers, intermediaries and the Issuer itself. Disaster recovery has been arranged for the most important business units and processes of the Issuer.

If the Issuer's business continuity plans do not include effective contingencies for such events (including possible staff absence during a pandemic disease), recovery may not be realised in a timely manner and completely, which could result in significant disruptions in its operations. Any such disruptions could result in loss of customers, reduced sales volumes, damage to the Issuer's reputation and could materially adversely affect its competitive position, business, revenues, results, reputation and financial condition for a substantial period of time.



## **Factors which are material for the purpose of assessing the market risks associated with the Notes**

*The Notes may not be a suitable investment for all investors*

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

### *Interest rate risk during the Fixed Rate Period*

From the Issue Date, the Notes will bear a fixed rate of interest of 9.00 per cent. per annum up to (but excluding) the First Call Date. As the rate of interest is fixed during this period there is a risk that changes in market interest rates during this period may adversely affect the value of the Notes.

### *The Notes will bear a floating interest rate as per the First Call Date*

The Notes will bear a floating rate of interest of Euribor for three month deposits in euro plus a margin of 8.12 per cent. per annum as per the First Call Date. As Euribor for three month deposits in euro is not known to the Issuer at the date of this Prospectus, the Floating Rate of Interest applicable to the Notes following the First Call Date may be lower than the prevailing Fixed Rate of Interest prior to the First Call Date. As a consequence, the interest rate in respect of the Notes following the First Call Date may be less favourable than the prevailing interest rate in respect of the Notes prior to the First Call Date.

### *Notes subject to optional redemption by the Issuer*

The Notes contain an optional redemption feature, which is likely to limit their market value. During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise

substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

#### *Redemption risk*

Although the Notes are dated, there may be circumstances where the Notes may only be redeemed at the Maturity Date if the Issuer has obtained the prior approval of the Regulator. Redemption is subject to the Mandatory Non-payment Condition.

#### *The Issuer's obligations under the Notes are subordinated*

The Notes and the Coupons rank *pari passu* and without any preference among themselves and constitute unsecured and subordinated obligations of the Issuer, ranking junior to unsubordinated unsecured obligations (including, for the avoidance of doubt, to policyholders) of the Issuer and to subordinated obligations of the Issuer preferred by mandatory provisions of law. In the event of the insolvency (bankruptcy (*faillissement*) or moratorium (*surseance van betaling* or *noodregeling*, as applicable)) or dissolution (*ontbinding*) or liquidation (*vereffening*) of the Issuer, the payment obligations of the Issuer under the Notes shall rank in right of payment after unsubordinated unsecured creditors (including, for the avoidance of doubt, policyholders) of the Issuer, and payment to Noteholders or Couponholders may only be made and any set-off by holders of a Note shall be excluded until all obligations of the Issuer vis-o-vis its unsubordinated unsecured creditors have been satisfied, but *pari passu* with all other subordinated obligations of the Issuer save for those preferred by mandatory provisions of law and those that rank or are expressed by their terms to rank junior to the Notes, and in priority to the claims of shareholders of the Issuer. Therefore, although the Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in the Notes will lose all or some of his investment should the Issuer become insolvent or be dissolved or liquidated.

#### *Under certain conditions, interest payments under the Notes must be deferred and in other instances interest payments under the Notes may be deferred at the option of the Issuer*

In addition to the right of the Issuer to defer payment of interest in accordance with Condition 5(a)(i), payments in respect of or arising from (including any damages awarded for breach of any obligations under) the Notes may only be made provided the Mandatory Non-payment Condition is not met at the time of payment by the Issuer, and no interest shall be due and payable in respect of or arising from the Notes except to the extent that the Mandatory Non-payment Condition is not met and the Issuer could make such payment without the Mandatory Non-payment Condition being met, except where Condition 2 applies, in which case the holder shall have a subordinated claim as set out therein.

The Issuer may defer paying interest on each Optional Interest Payment Date until the Maturity Date (if any) or any earlier date on which the Notes are redeemed in full, subject to Condition 5(a)(ii).

Arrears of Interest shall bear interest (to the extent permitted by applicable insolvency law) at the applicable rate of interest from (and including) the date on which (but for such deferral) the deferred payment would otherwise have been due to be made to (but excluding) the relevant date on which the relevant deferred payment is satisfied. Subject to Condition 5(a)(ii), any Arrears of Interest may be paid in whole or in part at any time upon the expiry of not less than 14 days' notice to such effect given by the Issuer to the

Noteholders, and in any event will automatically become immediately due and payable in whole upon whichever is the earlier of the following dates:

- (a) the date fixed for any redemption, conversion, exchange, substitution or purchase, or variation of the terms, of the Notes by or on behalf of the Issuer pursuant to the Terms and Conditions; or
- (b) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than a solvent winding-up solely for the purpose of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reconstruction, amalgamation or substitution (i) have previously been approved in writing by an Extraordinary Resolution of the Noteholders and (ii) do not provide that the Notes shall thereby become payable); or
- (c) the date on which the Parent or the Issuer redeems, purchases, cancels, reduces or acquires any shares in its capital (other than shares repurchased or otherwise acquired by the Parent or Issuer, to the extent relevant, to reduce its capital, in the context of its own buy-back programme, if any, under any equity derivative hedge structure or transaction, under any hedging of stock options programme or any other compensation benefit programme, if any, in connection with financial restructurings, mergers, acquisitions, split-offs, divestments or alike corporate transactions); or
- (d) the date on which the Parent or the Issuer or any other person which has issued Junior Securities or Parity Securities redeems, purchases, cancels, reduces or acquires any Junior Securities or Parity Securities, save for a redemption required to be effected under the terms of such securities; or
- (e) the date on which the Parent or the Issuer declares or pays any dividend or other distribution on any shares in its capital; or
- (f) the date on which the Parent or the Issuer or any other person which has issued Junior Securities or Parity Securities makes any payment in respect of any Junior Securities or Parity Securities, save where the Parent or the Issuer or such other person is not able to defer, pass or eliminate or continue to eliminate a dividend or other distribution or any other payment in accordance with the terms and conditions of those securities or guarantees.

Any deferral of interest payments will likely have an adverse effect on the market price of the Notes. In addition, as a result of the interest deferral provision of the Notes if that applies, the market price of the Notes may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer's financial condition.

#### *Redemption, Conversion, Exchange, Substitution and Variation risk*

Redemption, conversion, exchange, substitution or variation of Notes may be subject to prior consent from the Regulator. Redemption is subject to the Mandatory Non-payment Condition. Upon the occurrence of certain specified events, the Notes may be redeemed at their principal amount or such other amount as set out in the Terms and Conditions or they may be converted, exchanged or substituted or their terms may be varied as provided in Condition 6 (*Redemption and Purchase*).

#### *Redemption, Conversion, Exchange, Substitution or Variation for Regulatory Reasons*

If prior to the giving of the notice referred to below a Capital Disqualification Event has occurred and is continuing, then the Issuer may, subject to Condition 6(g), (i) having given not less than 30 nor more than 60 days' notice to the Fiscal Agent and the Noteholders (which notice shall be irrevocable), redeem, in accordance with these Terms and Conditions, all, but not some only, of the Notes at their principal amount together with any interest accrued to (but excluding) the date of redemption in accordance with these Terms and Conditions and any Arrears of Interest or (ii) without any requirement for the consent or approval of the Noteholders, having given not less than 30 nor more than 60 days' notice to the Fiscal Agent and the Noteholders (which notice shall be irrevocable), convert, exchange or substitute the Notes in whole (but not in part) into or for another series of notes of the Issuer that are, or vary the terms of the Notes so that they become, capable of counting for the purposes of determination of the solvency margin, capital adequacy ratios or comparable margins or ratios under the Capital Adequacy Regulations, or, where this is subdivided in tiers, tier 2 basic own funds (or howsoever described at the time) and have materially the same terms as the Notes, and which conversion, exchange, substitution or variation shall not be prejudicial to the interests of the Noteholders. In connection with such conversion, exchange, substitution or variation all Arrears of Interest (if any) will be satisfied.

Prior to the publication of any notice of redemption, conversion, exchange, substitution or variation pursuant to Condition 6(d) the Issuer shall deliver to the Noteholders a certificate signed by two managing directors (*bestuurders*) of the Issuer stating that a Capital Disqualification Event has occurred and is continuing as at the date of the certificate and that the conversion, exchange, substitution or variation (if applicable) is not prejudicial to the interests of the Noteholders.

See "*Notes subject to optional redemption by the Issuer*" above for a description of risks associated with early redemption of the Notes.

#### *Redemption, Conversion, Exchange, Substitution or Variation for Rating Reasons*

The Notes will be issued with the intention on the part of the Issuer that the proceeds of such Notes obtain a favourable capital treatment from S&P. If prior to the giving of the notice referred to below the Issuer determines that a Rating Methodology Event has occurred and is continuing with respect to the Notes, then the Issuer may, subject to Condition 6(g), and subject to the prior consent of the Regulator if required under the Capital Adequacy Regulations, (i) having given not less than 30 nor more than 60 days' notice to the Fiscal Agent and the Noteholders (which notice shall be irrevocable), at any time on or after 29 August 2017, redeem all, but not some only, of the Notes at their principal amount together with any interest accrued to (but excluding) the date fixed for redemption in accordance with the Terms and Conditions and any Arrears of Interest, or (ii) without any requirement for the consent or approval of the Noteholders, having given not less than 30 nor more than 60 days' notice to the Fiscal Agent and the Noteholders (which notice shall be irrevocable), convert, exchange or substitute the Notes in whole (but not in part) into or for another series of securities of the Issuer that are, or vary the terms of the Notes so that they become, capable of qualifying for the same equity content previously assigned by such Rating Agency to the Notes, and have materially the same terms as the Notes, and which conversion, exchange, substitution or variation shall not be prejudicial to the interests of the Noteholders, and such provisions shall apply mutatis mutandis with respect to such Rating Methodology Event. In connection with such conversion, exchange, substitution or variation all Arrears of Interest (if any) will be satisfied.

Prior to the publication of any notice of redemption, conversion, exchange, substitution or variation under Condition 6(e) the Issuer shall deliver to the Noteholders a certificate signed by two managing directors (*bestuurders*) of the Issuer and by an independent investment bank of international standing stating that a Rating Methodology Event has occurred and is continuing as at the date of the certificate and that the

conversion, exchange, substitution or variation (if applicable) is not prejudicial to the interests of the Noteholders.

See "*Notes subject to optional redemption by the Issuer*" above for a description of risks associated with early redemption of the Notes.

#### *No limitation on issuing debt*

There is no restriction on the amount of debt which the Issuer may issue which ranks senior to the Notes or on the amount of securities which the Issuer may issue which ranks *pari passu* with the Notes. The issue of any such debt or securities may reduce the amount recoverable by Noteholders on a winding-up (*faillissement* or *vereffening na ontbinding*) of the Issuer and may increase the likelihood of a deferral of payments under the Notes.

#### ***Risks related to the Notes generally***

Set out below is a brief description of certain risks relating to the Notes generally:

#### *Modification, waivers and substitution*

The Fiscal Agency Agreement contains provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

#### *EU Savings Directive*

Under EC Council Directive 2003/48/EC (the **Savings Directive**) on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive.

#### *U.S. Foreign Account Tax Compliance Withholding*

Pursuant to the US Foreign Account Tax Compliance Act (**FATCA**), the Issuer and other non-US financial institutions through which payments on the Notes are made may be required to withhold US tax at a rate of 30% on all, or a portion of, payments made after 31 December 2016 if the Notes are treated as equity for US federal income tax purposes. The Issuer intends to treat the Notes as debt for US federal income tax purposes. However, one possible alternative characterization is that the US Internal Revenue Service (**IRS**) could assert that the Notes should be treated as equity in the Issuer for US federal income tax purposes.

Under FATCA, a withholding tax may be triggered if (i) the Issuer is a foreign financial institution (**FFI**) (as defined by FATCA) that enters into and complies with an agreement with the IRS to provide certain information on its account holders (a term which includes the holders of its debt or equity interests that are not regularly traded on an established securities market), making the Issuer a "participating FFI" and (ii)(A) an investor does not provide information sufficient for the participating FFI to determine whether the investor is a United States person or should otherwise be treated as holding a "United States account" of such Issuer or (B) any FFI to which (or through which) payment on such Notes is made is not a participating FFI.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes is not clear. If an amount in respect of US withholding tax under FATCA were to be deducted or withheld from interest, principal or other payments on the Notes, the Issuer would not be required to pay additional amounts as a result of the deduction or withholding of such tax. Holders of Notes should consult their own tax advisors on how these rules may apply to payments they receive under the Notes.

#### *Change of law*

The Terms and Conditions are based on Dutch law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to Dutch law or administrative practice after the date of this Prospectus.

#### *Risk of recharacterisation of regulatory capital under Solvency II Directive*

The Notes are expected to qualify as additional solvency margin for capital adequacy regulatory purposes pursuant to the Dutch Financial Supervision Act (*Wet op het financieel toezicht* (**Wft**)). The capital adequacy requirements for insurance companies are currently under a fundamental review. Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 and the implementing measures by the European Commission thereunder, as the same may be amended (the **Solvency II Directive**) provides for a new capital adequacy regime for insurance companies. It is expected that this new regime will be implemented in the Wft and become effective as per 1 January 2014. The implementing measures, however, are still to be drawn up and are not known at this stage. Any such implementing measures could have an adverse effect on the Notes as a consequence of which any such implementing measure could adversely affect the interests of the Noteholders. In particular, any implementing measure could cause any payment on the Notes to result in the occurrence of a Capital Adequacy Event following which the Mandatory Non-payment Condition would be met and then no principal, premium, interest or any other amount shall be due and payable in respect of or arising from the Notes, except to the extent that the Mandatory Non-payment Condition is not met and the Issuer could make such payment without the Mandatory Non-payment Condition being met.

#### *New legislation (proposals) to deal with ailing insurance companies could affect the Noteholders*

On 27 October 2011, a draft act was submitted to Dutch Parliament giving the Dutch Minister of Finance and the Dutch prudential supervisory authority, *De Nederlandsche Bank N.V.* (**DNB**) additional powers to deal with ailing banks and insurance companies, which act came into force in the Netherlands on 13 June 2012 (the **Dutch Act**). The Dutch Act follows a consultation launched by the European Commission on 6 January 2011 on a comprehensive framework to deal with ailing banks and insurance companies (the **EU Proposal**). A draft EU Directive on the basis of that EU Proposal was published in June 2012. The EU Proposal contains a number of legislative proposals, some (but not all) of which are reflected in the Dutch Act. Under the Dutch Act, substantial new powers would be granted to DNB and the Minister of Finance enabling them to deal with ailing Dutch banks and insurance companies prior to insolvency. The measures would allow them to commence proceedings which may lead to: (i) the transfer of all or part of the business (including, in the case of a bank, deposits) of an ailing bank or insurance company to a private sector purchaser; (ii) the transfer of all or part of the business of an ailing bank or insurance company to a "bridge entity"; (iii) the transfer of the shares in an ailing bank or insurance company to a private sector purchaser or a "bridge

entity"; (iv) immediate interventions by the Minister of Finance concerning an ailing bank or insurance company and (v) public ownership (nationalisation) of all or part of the business of an ailing bank or insurance company or of all or part of the shares or other securities issued by an ailing bank or insurance company. The Dutch Act contains provisions prohibiting counterparties of banks and insurance companies to invoke contractual rights (such as, for instance, contractual rights to terminate or to invoke a right of set off or to require security to be posted) if the right to exercise such rights is triggered by intervention of DNB or the Minister of Finance based on the Dutch Act or the Financial Supervision Act or by a circumstance which is the consequence of such intervention. If and when the above mentioned EU Directive is promulgated and needs to be implemented, the Dutch Act will probably need to be amended to reflect the provisions of that EU Directive.

There is a risk that exercise of powers by DNB or the Minister of Finance under the Dutch Act could adversely affect the proper performance by the Issuer of its payment and other obligations and enforcement thereof against the same under the Terms and Conditions.

#### *Reliance on Euroclear and Clearstream, Luxembourg procedures*

The Notes are represented by the Global Notes deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Notes, investors will not be entitled to receive Notes in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Note held through it. While the Notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by the Global Notes, the Issuer will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in the Global Notes must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

#### *Integral multiples of less than €100,000*

The denomination of the Notes is €100,000 and integral multiples of €1,000 in excess thereof, up to and including €199,000. Therefore, it is possible that the Notes may be traded in amounts in excess of €100,000 that are not integral multiples of €100,000. In such a case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than €100,000 will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more denominations.

#### ***Risks related to the market generally***

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

##### *The secondary market generally*

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary

market. The Notes are especially sensitive to interest rate, currency or market risks, designed for specific investment objectives or strategies structured to meet the investment requirements of limited categories of investors. As such, the Notes generally will have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

*Exchange rate risks and exchange controls*

The Issuer will pay principal and interest on the Notes in Euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Euro would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

*Credit ratings may not reflect all risks*

S&P is expected to assign a credit rating of BBB+ to the Notes. The rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

*Legal investment considerations may restrict certain investments*

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.



## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the AFM shall be incorporated in, and form part of, this Prospectus:

- (a) the following sections of the English language annual report of the Issuer for the financial year ended 31 December 2011 (the **2011 Annual Report**):
  - audited consolidated annual financial statements and accounting policies (pages 21-57);
  - notes to the audited consolidated annual financial statements (pages 58-131);
  - auditor's report (page 146-147);
- (b) the following sections of the English language annual report of Issuer for the financial year ended 31 December 2010 (the **2010 Annual Report**):
  - audited consolidated annual financial statements and accounting policies (pages 25-50);
  - notes to the audited consolidated annual financial statements (pages 51-109);
  - auditor's report (page 127-128);
- (c) Delta Lloyd Levensverzekering N.V. 2012 Half Year -- Summary Financial Information, 21 August 2012; and
- (d) the articles of association (*statuten*) of the Issuer.

Any information contained in the 2010 Annual Report and the 2011 Annual Report which is not incorporated by reference in this Prospectus is either not relevant to investors or is covered elsewhere in this Prospectus.

Copies of documents incorporated by reference in this Prospectus of documents incorporated by reference in this Prospectus can be obtained from the registered office of the Issuer at Spaklerweg 4, 1096 BA Amsterdam, The Netherlands and on [www.deltalloydgroep.com](http://www.deltalloydgroep.com) (section "Investor Relations").

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

## TERMS AND CONDITIONS OF THE NOTES

*The following, subject to amendment, are the terms and conditions of the Notes substantially in the form in which they are endorsed on the Definitive Notes. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions relating to the Notes while represented by the Global Notes” below. These terms and conditions are subject to the detailed provisions of the Fiscal Agency Agreement, for example in respect of provisions in relation to meetings of Noteholders.*

The issue of the €500,000,000 Fixed to Floating Rate Subordinated Notes due 2042 (the **Notes**) by Delta Lloyd Levensverzekering N.V. (the **Issuer**) has been duly authorised by the management board (*bestuur*) of the Issuer.

The Notes are issued subject to, and with the benefit of, the Terms and Conditions below and a Fiscal Agency Agreement dated 29 August 2012 (the **Fiscal Agency Agreement**, which expression shall be construed as a reference to that agreement as the same may be further amended, supplemented and/or restated from time to time) and made between the Issuer, Deutsche Bank AG, London Branch as Fiscal Agent and Paying Agent. The Fiscal Agency Agreement includes the form of the Notes and the coupons relating to them (the **Coupons**). Copies of the Fiscal Agency Agreement are available for inspection during normal business hours at the specified offices of the Paying Agent. The holders of the Notes (the **Noteholders**) and the holders of the Coupons (whether or not attached to the relevant Notes) (the **Couponholders**) are deemed to have notice of all the provisions of the Fiscal Agency Agreement applicable to them. The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Fiscal Agency Agreement applicable to them. References in these Terms and Conditions to the Fiscal Agent and the Paying Agent shall include any successor appointed under the Fiscal Agency Agreement.

These Terms and Conditions may only be amended if the Issuer has obtained the consent of the Regulator (as defined below) in writing and of the Noteholders and the Couponholders in accordance with the provisions for meetings of Noteholders scheduled to the Fiscal Agency Agreement.

### 1. Form and Denomination and Title

#### (a) *Form and Denomination*

The Notes are in bearer form, serially numbered, in the denomination of €100,000 and integral multiples of €1,000 in excess thereof, up to and including €199,000, each with Coupons attached on issue.

#### (b) *Title*

Title to the Notes and to the Coupons will pass by delivery.

#### (c) *Holder Absolute Owner*

The Issuer and any Paying Agent may (to the fullest extent permitted by applicable laws) deem and treat the bearer of any Note or Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon).

## 2. Status of the Notes

- (a) The Notes and the Coupons rank *pari passu* and without any preference among themselves and constitute unsecured and subordinated obligations of the Issuer, ranking junior to unsubordinated unsecured obligations (including, for the avoidance of doubt, to policyholders) of the Issuer and to subordinated obligations of the Issuer preferred by mandatory provisions of law.
- (b) In the event of the insolvency (bankruptcy (*faillissement*) or moratorium (*surseance van betaling* or *noodregeling*, as applicable)) or dissolution (*ontbinding*) or liquidation (*vereffening*) of the Issuer, the payment obligations of the Issuer under the Notes shall rank in right of payment after unsubordinated unsecured creditors (including, for the avoidance of doubt, policyholders) of the Issuer, and payment to Noteholders or Couponholders may only be made and any set-off by Noteholders or Couponholders shall be excluded until all obligations of the Issuer vis-o-vis its unsubordinated unsecured creditors have been satisfied, but *pari passu* with all other subordinated obligations of the Issuer save for those preferred by mandatory provisions of law and those that rank or are expressed by their terms to rank junior to the Notes and Coupons, and in priority to the claims of shareholders of the Issuer.

## 3. Payment

- (a) Payments of principal in respect of the Notes will be made at the specified office of the Paying Agent by a Euro cheque drawn on, or by transfer to, a Euro account maintained by the payee with a bank in a city in which banks have access to the TARGET System (as defined below).

If the due date for payment of any amount of principal or interest in respect of any Note is not a business day in Amsterdam (and, in the case of a transfer to a euro account, a day on which the Trans-European Automated Real Time Gross-Settlement Express Transfer System 2 (the **TARGET System**) is operating) (a **Business Day**), Noteholders shall not be entitled to payment of the amount due until the next following Business Day or to further interest or other payment in respect of such delay.

- (b) Payments of principal and interest in respect of each Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Note, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office of the Paying Agent.
- (c) Each Note should be presented for redemption together with all unmatured Coupons relating to it, failing which the amount of any such missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal amount due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon not later than 5 years after the Relevant Date (as defined in Condition 7) for the relevant payment of principal.
- (d) All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in any jurisdiction (whether by operation of law or agreement of the Issuer or its Agents) and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements but without prejudice to the provisions of Condition 7. No commission or expenses shall be charged to the Noteholders in respect of such payments.

#### 4. Interest

- (a) The Notes bear interest from, and including, 29 August 2012 (the **Issue Date**) payable annually in arrear on 29 August in each year until and including 29 August 2022 (the **First Call Date**) (each a **Fixed Interest Payment Date**) and thereafter quarterly in arrear on 29 February (except in a year that is not a leap year, in which case, on 1 March of such year), 29 May, 29 August and 29 November in each year, for the first time on 29 November 2022 (each a **Floating Interest Payment Date** and together with each Fixed Interest Payment Date, an **Interest Payment Date**).
- (b) The Notes will cease to bear interest from the due date for redemption unless, upon due presentation, payment of the principal in respect thereof is improperly withheld or refused. In such event, interest will continue to accrue (after as well as before any judgment) up to, but excluding, the date on which, upon further presentation, payment in full of the principal thereof and all other sums due in respect of the Notes (including accrued interest) is made or (if earlier) the seventh day after notice is duly given to the holder of such Note in accordance with Condition 11 that upon further presentation of such Note being duly made such payment will be made, provided that upon further presentation thereof being duly made such payment is in fact made.
- (c) Where interest is to be calculated up to and including the First Call Date, in respect of a period which is shorter than an Interest Period (as defined below), the day-count fraction used will be the number of days in the relevant period, from (and including) the date from which interest begins to accrue to (but excluding) the date on which it falls due, divided by the number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last). Where interest is to be calculated after the First Call date in respect of a period which is shorter than an Interest Period (as defined below), the day-count fraction used will be the actual number of days elapsed in the relevant period, divided by 360 days.
- (d) The period beginning on the Issue Date and ending on the first Interest Payment Date and each successive period beginning on an Interest Payment Date and ending on the next succeeding Interest Payment Date is called an **Interest Period**. Interest Periods up to the First Call Date are called **Fixed Rate Interest Periods**, thereafter **Floating Rate Interest Periods**.

The rate of interest for each Interest Period up to the First Call Date shall be 9.00 per cent. per annum (the **Fixed Rate of Interest**). Thereafter, the interest payable from time to time in respect of the Notes for each Floating Rate Interest Period will accrue at a rate (the **Floating Rate of Interest**) equal to the sum of the Euro Interbank Offered Rate (**Euribor**) for three month deposits in euros rounded, if necessary, to the 5th decimal place (with 0.000005 being rounded upwards) plus a margin of 8.12 per cent. per annum;

- (e) For the purpose of Condition 4(d) Euribor will be determined as follows:
  - (i) The Fiscal Agent will obtain for each Floating Rate Interest Period the rate equal to the amount of Euribor for three month deposits in euros. The Fiscal Agent shall use the Euribor rate as determined and published jointly by the European Banking Federation and ACI - The Financial Market Association and which appears for information purposes on the Reuters Screen EURIBOR01 (or, if not available, any other display page on any screen service maintained by any registered information vendor for the display of the Euribor rate selected by the Fiscal Agent) as at or about 11.00 a.m. (Central European time (**CET**)) on the day that is two Business Days prior to the first day of each Floating Rate Interest Period (each an **Interest Determination Date**);
  - (ii) If, on the relevant Interest Determination Date, such Euribor rate is not determined and published jointly by the European Banking Association and ACI - The Financial Market

Association, or if it is not otherwise reasonably practicable to calculate the rate under (i) above, the Fiscal Agent will:

- (A) request the principal euro-zone office of each of four major banks in the euro-zone interbank market (the **Reference Banks**) to provide a quotation for the rate at which three month euro deposits are offered by it in the euro-zone interbank market at approximately 11.00 a.m. (CET) on the relevant Interest Determination Date to prime banks in the euro-zone interbank market in an amount that is representative for a single transaction at that time; and determine the arithmetic mean (rounded, if necessary, to the fifth decimal place with 0.000005 being rounded upwards) of such quotation as is provided; and
- (B) if fewer than two such quotations are provided as requested, the Fiscal Agent will determine the arithmetic mean (rounded, if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the rates quoted by major banks, of which there shall be at least two in number, in the euro-zone, selected by the Fiscal Agent, at approximately 11.00 a.m. (CET) on the relevant Interest Determination Date for three month deposits to leading euro-zone banks in an amount that is representative for a single transaction in that market at that time, and Euribor for such Floating Rate Interest Period shall be the rate per annum equal to the euro interbank offered rate for euro deposits as determined in accordance with this paragraph (e), provided that if the Fiscal Agent is unable to determine Euribor in accordance with the above provisions in relation to any Floating Rate Interest Period, Euribor applicable to the relevant Notes during such Floating Rate Interest Period will be Euribor last determined in relation thereto.

(f) *Determination of Floating Rates of Interest and Calculation of Interest Amounts*

The Fiscal Agent will, as soon as practicable after 11.00 a.m. (CET) on each Interest Determination Date, determine the Floating Rate of Interest for the Notes and calculate the amount of interest payable on the Notes for the following Floating Rate Interest Period (the **Interest Amount**) by applying the relevant Floating Rate of Interest to the principal amount of the Notes on the first day of such Floating Rate Interest Period and multiplying such product by the actual number of days in the Floating Rate Interest Period concerned, divided by 360. The determination of the Floating Rate of Interest and each Interest Amount by the Fiscal Agent shall (in the absence of manifest error) be final and binding on all parties.

(g) *Notification of Floating Rates of Interest and Interest Amounts*

The Fiscal Agent will cause the relevant Floating Rate of Interest and the relevant Interest Amounts to be notified to the Issuer, the Fiscal Agent and to the Noteholders and Couponholders. As long as the Notes are admitted to listing, trading and/or quotation on Euronext Amsterdam or by any other competent authority, stock exchange and/or quotation system, notice shall also be published in such other place as may be required by the rules and regulations of such competent authority, stock exchange and/or quotation system, as soon as possible after the determination.

## 5. Deferral of Interest Payments and Arrears of Interest

*The Issuer has no obligation to pay any interest on any Optional Interest Payment Date so long as it exercises its right to defer any interest payment in accordance with Condition 5(a). This is the result of the Issuer having the right to defer any interest payment otherwise scheduled to be paid on an Optional Interest Payment Date pursuant to Condition 5(a).***Deferral of Interest Payments**

- (i) **Optional Deferral of Interest Payments:** Subject to Condition 5(a)(ii), the Issuer may on any Optional Interest Payment Date defer payment of interest on the Notes which would otherwise be payable on such date.

The Issuer shall notify the Noteholders as soon as practicable (in accordance with Condition 11 and in any event within 14 days) prior to any Optional Interest Payment Date in respect of which payment is deferred, of the amount of such payment otherwise due on that date (the **Deferral Notice**). Subject to Condition 5(b), the Issuer may defer paying interest on each Optional Interest Payment Date until the Maturity Date or any earlier date on which the Notes are redeemed in full.

- (ii) **Mandatory Deferral of Interest Payments:** In addition to the right of the Issuer to defer payment of interest in accordance with Condition 5(a)(i), payments in respect of or arising from (including any damages awarded for breach of any obligations under) the Notes may only be made provided the Mandatory Non-payment Condition is not met at the time of payment by the Issuer, and no interest shall be due and payable in respect of or arising from the Notes except to the extent that the Mandatory Non-payment Condition is not met and the Issuer could make such payment without the Mandatory Non-payment Condition being met, except where Condition 2 applies, in which case the holder shall have a subordinated claim as set out therein. The Issuer shall (except where Condition 2 applies as aforesaid) satisfy any Arrears of Interest which arises as a result of this Condition 5(a)(ii) at the time referred to in this Condition 5.

### (a) *Arrears of Interest*

Any interest in respect of the Notes not paid on any Interest Payment Date, together with any other interest in respect thereof not paid on any earlier Interest Payment Date, in each case by virtue of Condition 5(a), shall, so long as the same remains unpaid, constitute **Arrears of Interest**. Arrears of Interest shall bear interest (to the extent permitted by applicable insolvency law) at the applicable rate of interest from (and including) the date on which (but for such deferral) the deferred payment would otherwise have been due to be made to (but excluding) the relevant date on which the relevant deferred payment is satisfied. Subject to Condition 5(a)(ii), any Arrears of Interest may be paid in whole or in part at any time upon the expiry of not less than 14 days' notice to such effect given by the Issuer to the Noteholders in accordance with Condition 11, and in any event will automatically become immediately due and payable in whole upon whichever is the earlier of the following dates:

- (i) the date fixed for any redemption, conversion, exchange, substitution or purchase, or variation of the terms, of the Notes by or on behalf of the Issuer pursuant to Condition 6 or Condition 9; or
- (ii) the date on which an order is made or a resolution is passed for the winding-up of the Issuer (other than a solvent winding-up solely for the purpose of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reconstruction, amalgamation or substitution (i) have previously been approved in

writing by an Extraordinary Resolution of the Noteholders and (ii) do not provide that the Notes shall thereby become payable); or

- (iii) the date on which the Parent or the Issuer redeems, purchases, cancels, reduces or acquires any shares in its capital (other than shares repurchased or otherwise acquired by the Parent or Issuer, to the extent relevant, to reduce its capital, in the context of its own buy-back programme, if any, under any equity derivative hedge structure or transaction, under any hedging of stock options programme or any other compensation benefit programme, if any, in connection with financial restructurings, mergers, acquisitions, split-offs, divestments or alike corporate transactions); or
- (iv) the date on which the Parent or the Issuer or any other person which has issued Junior Securities or Parity Securities redeems, purchases, cancels, reduces or acquires any Junior Securities or Parity Securities, save for a redemption required to be effected under the terms of such securities; or
- (v) the date on which the Parent or the Issuer declares or pays any dividend or other distribution on any shares in its capital; or
- (vi) the date on which the Parent or the Issuer or any other person which has issued Junior Securities or Parity Securities makes any payment in respect of any Junior Securities or Parity Securities, save where the Parent or the Issuer or such other person is not able to defer, pass or eliminate or continue to eliminate a dividend or other distribution or any other payment in accordance with the terms and conditions of those securities or guarantees.

Notwithstanding the foregoing, if notice is given by the Issuer of its intention to pay the whole or part of Arrears of Interest and any other amount in respect of or arising under such Notes, the Issuer shall be obliged to do so upon expiration of such notice, subject to Condition 5(a)(ii). Where Arrears of Interest are paid in part, each part payment shall be applied in payment of the Arrears of Interest accrued due in respect of the relative Interest Payment Date (or consecutive Interest Payment Dates) furthest from the date of payment.

(b) *No default*

Notwithstanding any other provision in these Conditions, any payment which for the time being is not made by virtue of Condition 5(a) shall not constitute a default for any purpose (including, but without limitation, Condition 9) on the part of the Issuer.

(c) *Regulatory proviso*

If at any time the existence of paragraphs (iv) and/or (vi) of Condition 5(b) and/or item (b) in the definition of Optional Interest Payment Date would result in a Capital Disqualification Event, each of those provisions which would cause such result shall have no effect.

## 6. **Redemption and Purchase**

(a) *Maturity Date*

Unless previously purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount, together with all Arrears of Interest and interest accrued (if any), on 29 August 2042 (the **Maturity Date**), subject to Condition 6(g). The Issuer undertakes that, if as a result of Condition 6(g) the Notes may not be redeemed on the Maturity Date, the Issuer will redeem the Notes as soon as practicable after Condition 6(g) has ceased to be an impediment to such

redemption, and the Issuer will give notice to the Fiscal Agent and the Noteholders in accordance with Condition 11 stating the date fixed for redemption.

Except as provided under paragraph (b), (c), (d) or (e) of this Condition 6 or in the case of occurrence of an Event of Default, the Notes may not be redeemed before their final maturity on the Maturity Date.

(b) *Issuer call option*

The Issuer may, subject to Condition 6(g), on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem, all of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their principal amount together with any interest accrued to (but excluding) the date fixed for redemption in accordance with these Terms and Conditions and any Arrears of Interest.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6.

(c) *Redemption for taxation purposes*

The Notes may, subject to Condition 6(g) and subject to the prior consent of the Regulator if required under the Capital Adequacy Regulations, be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date on giving not less than 30 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 11, the Noteholders (which notice shall be irrevocable), at their principal amount together with any interest accrued to (but excluding) the date fixed for redemption in accordance with these Terms and Conditions and any Arrears of Interest, if:

- (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of the Netherlands or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date (a **Tax Law Change**), or
- (ii) whether or not as a result of a Tax Law Change, there is more than an insubstantial risk that the Issuer will not obtain full or substantially full deductibility for the purposes of Dutch corporation tax for any payment of interest,

and the foregoing cannot be avoided by the Issuer taking reasonable measures not prejudicial to the interests of the Noteholders available to it, provided that in the case of (i) above no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Fiscal Agent a certificate signed by two managing directors (*bestuurders*) of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of a recognised independent legal adviser to the effect that (i) the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment or, as applicable, (ii) there is more than an insubstantial risk that the Issuer will not obtain full or substantially full deductibility for the purposes of Dutch corporation tax for any payment of interest. Notices under this Condition shall be given without delay in accordance with Condition 11.



(d) *Redemption, Conversion, Exchange, Substitution or Variation for Regulatory Reasons*

If prior to the giving of the notice referred to below a Capital Disqualification Event has occurred and is continuing, then the Issuer may, subject to Condition 6(g),

- (i) having given not less than 30 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 11, the Noteholders (which notice shall be irrevocable), redeem, in accordance with these Terms and Conditions, all, but not some only, of the Notes at their principal amount together with any interest accrued to (but excluding) the date of redemption in accordance with these Terms and Conditions and any Arrears of Interest; or
- (ii) without any requirement for the consent or approval of the Noteholders, having given not less than 30 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 11, the Noteholders (which notice shall be irrevocable), convert, exchange or substitute the Notes in whole (but not in part) into or for another series of notes of the Issuer that are, or vary the terms of the Notes so that they become, capable of counting for the purposes of determination of the solvency margin, capital adequacy ratios or comparable margins or ratios under the Capital Adequacy Regulations, or, where this is subdivided in tiers, tier 2 basic own funds (or howsoever described at the time) and have materially the same terms as the Notes, and which conversion, exchange, substitution or variation shall not be prejudicial to the interests of the Noteholders. In connection with such conversion, exchange, substitution or variation all Arrears of Interest (if any) will be satisfied.

Prior to the publication of any notice of redemption, conversion, exchange, substitution or variation pursuant to this Condition 6(d) the Issuer shall deliver to the Noteholders in accordance with Condition 11 a certificate signed by two managing directors (*bestuurders*) of the Issuer stating that a Capital Disqualification Event has occurred and is continuing as at the date of the certificate and that the conversion, exchange, substitution or variation (if applicable) is not prejudicial to the interests of the Noteholders.

In connection with any conversion or exchange pursuant to this Condition 6(d), the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading.

(e) *Redemption, Conversion, Exchange, Substitution or Variation for Rating Reasons*

If prior to the giving of the notice referred to below the Issuer determines that a Rating Methodology Event has occurred and is continuing with respect to the Notes, then the Issuer may, subject to Condition 6(g), and subject to the prior consent of the Regulator if required under the Capital Adequacy Regulations,

- (i) having given not less than 30 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 11, the Noteholders (which notice shall be irrevocable), at any time on or after 29 August 2017, redeem all, but not some only, of the Notes at their principal amount together with any interest accrued to (but excluding) the date fixed for redemption in accordance with these Terms and Conditions and any Arrears of Interest; or
- (ii) without any requirement for the consent or approval of the Noteholders, having given not less than 30 nor more than 60 days' notice to the Fiscal Agent and, in accordance with Condition 11, the Noteholders (which notice shall be irrevocable), convert, exchange or substitute the Notes in whole (but not in part) into or for another series of securities of the Issuer that are, or vary the terms of the Notes so that they become, capable of qualifying for the same equity content previously assigned by such Rating Agency to the Notes, and have

materially the same terms as the Notes, and which conversion, exchange, substitution or variation shall not be prejudicial to the interests of the Noteholders, and such provisions shall apply mutatis mutandis with respect to such Rating Methodology Event. In connection with such conversion, exchange, substitution or variation all Arrears of Interest (if any) will be satisfied.

Prior to the publication of any notice of redemption, conversion, exchange, substitution or variation under this Condition 6(e) the Issuer shall deliver to the Noteholders in accordance with Condition 11 a certificate signed by two managing directors (*bestuurders*) of the Issuer and by an independent investment bank of international standing stating that a Rating Methodology Event has occurred and is continuing as at the date of the certificate and that the conversion, exchange, substitution or variation (if applicable) is not prejudicial to the interests of the Noteholders.

For the purposes of this Condition 6(e):

**Rating Methodology Event** will be deemed to occur upon a change in the methodology of a Rating Agency (or in the interpretation of such methodology) as a result of which the equity content previously assigned by such Rating Agency to the Notes is, in the reasonable opinion of the Issuer, materially reduced when compared to the equity content assigned by such Rating Agency on or after the Issue Date.

**Rating Agency** means Standard & Poor's Credit Market Services Europe Limited or any other rating agency that has assigned a rating to the Notes on or after the Issue Date or any successor.

(f) *Purchases*

The Issuer may, subject to Condition 6(g), at any time purchase Notes (provided that all unmatured Coupons appertaining to the Notes are purchased with the Notes) in the open market or otherwise at any price. Notes, together with all relative unmatured Coupons attached to the Notes or surrendered with the Notes, so purchased by the Issuer may be held, resold or surrendered for cancellation. If purchases are made by tender, tenders must be available to all Noteholders alike.

(g) *Conditions to Redemption, Conversion, Exchange, Substitution, Variation or Purchase of Notes*

So long as the Issuer is subject to Capital Adequacy Regulations,

- (i) any redemption pursuant to this Condition 6 may only be made provided the Mandatory Non-payment Condition is not met at the time of such redemption, and no principal, premium, interest or any other amount shall be due and payable in respect of or arising from the Notes except to the extent that the Mandatory Non-payment Condition is not met and the Issuer could make such payment without the Mandatory Non-payment Condition being met, except where Condition 2 applies, in which case the holder shall have a subordinated claim as set out therein.
- (ii) any conversion, exchange, substitution, variation or purchase is subject to compliance with the Capital Adequacy Regulations.

**7. Taxation**

All payments of principal and interest in respect of the Notes by the Issuer will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of The Netherlands or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In such event, the Issuer shall

pay such additional amounts as shall result in receipt by the Noteholders or Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or, as the case may be, Coupon:

- (i) presented for payment by or on behalf of a Noteholder thereof who is liable to such taxes or duties in respect of such Note or Coupon by reason of such Noteholder or Couponholder having some connection with The Netherlands, other than the mere holding of such Note or Coupon or the receipt of the relevant payment in respect thereof; or
- (ii) presented for payment by or on behalf of a Noteholder or Couponholder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that a third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Note or Coupon is presented for payment; or
- (iii) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the Noteholder or Couponholder thereof would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of 30 days;
- (iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (v) where such withholding or deduction is imposed on a payment pursuant to Sections 1471, 1472, 1473 or 1474 of the U.S. Internal Revenue Code of 1986, and any Treasury regulations or authoritative guidance promulgated thereunder, or any law implementing an intergovernmental approach thereto.

As used in these Conditions, **Relevant Date** in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date on which notice is duly given to the Noteholders that, upon further presentation of the Note or Coupon being made in accordance with the Terms and Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

## 8. Prescription

Claims against the Issuer for payment of the Notes and the Coupons shall be prescribed and become void unless made within five years from the date on which the payment becomes due.

## 9. Events of Default

The holder of any Note may give written notice to the Issuer that such Note is, and such Note shall accordingly immediately become, due and repayable at par, together with interest accrued to the date of repayment in the case of the liquidation of the Issuer (**Events of Default**). Liquidation may occur as a result of the winding-up of the Issuer (*ontbinding en vereffening*), bankruptcy (*faillissement*) of the Issuer or the emergency regulation (*noodregeling*) being applied to the Issuer if that constitutes a liquidation.

## **10. Replacement of Notes or Coupons**

Should a Note or Coupon be lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable law, at the specified office of the Issuer on payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity and otherwise as the Issuer may reasonably require. All costs arising in connection therewith may be charged to the claimant. The mutilated or defaced Note or Coupon must be surrendered before replacements will be issued.

## **11. Notices**

- (a) Notices to Noteholders will be valid if published in the English language in a leading newspaper having general circulation in The Netherlands (which is expected to be *Het Financieele Dagblad*). The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.
- (b) Any notice hereunder to the Issuer shall be given by sending the same by registered mail or by delivering the same by hand to the Fiscal Agent. Any notice sent by mail shall be deemed to have been given, made or served at the time of delivery.

Any such notice to the Issuer shall be delivered or despatched to the following address:

Deutsche Bank AG, London Branch  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom  
Fax no: +44 207 547 6149  
Attention: Trust & Securities Services

or such other address as the Issuer may notify to the Noteholders in accordance with Condition 11.

## **12. Governing Law**

The Notes and the Coupons are governed by and shall be construed in accordance with the laws of The Netherlands.

Any legal action or proceedings arising out of or in connection with the Notes and the Coupons will be submitted to the exclusive jurisdiction of the competent court in Amsterdam, The Netherlands, and its appellate courts.

## **13. Definitions**

In these Terms and Conditions, unless the context requires otherwise, the following defined terms shall have the meanings set out below:

**Assets** means the non-consolidated gross assets of the Issuer as shown by the then latest published audited balance sheet of the Issuer but adjusted for contingencies and for subsequent events in such manner and to such extent as one or more members of the Issuer's management board or, as the case may be, the liquidator may determine to be appropriate;

**Capital Adequacy Event** means that the consolidated or non-consolidated solvency margin, capital adequacy ratios or comparable margins or ratios of the Issuer or the Parent under the Capital Adequacy Regulations are, or as a result of a Payment would become, less than the relevant requirements as applied and enforced by the Regulator pursuant to the Capital Adequacy Regulations, as applicable to the Notes, which, following the implementation of the Solvency II Directive, includes the "Solvency Capital Requirement" (as defined in the Solvency II Directive) or any equivalent terminology employed by the then applicable Capital Adequacy Regulations;

**Capital Adequacy Regulations** means at any time the regulations, requirements, guidelines, policies, decrees as applied and enforced by the Regulator with respect to the Issuer or the Parent with respect to the maintenance of consolidated or non-consolidated minimum levels of solvency margins and/or capital adequacy ratios and/or comparable margins or ratios (howsoever described at the time), as well as regarding the supervision thereof by any Regulator, including any new regulations to which the Issuer will become subject ahead of or following the implementation of the Solvency II Directive;

**Capital Disqualification Event** means that the Notes cease to be capable of qualifying under the Capital Adequacy Regulations for the purposes of determination of the solvency margin, capital adequacy ratios or comparable margins or ratios of the Issuer or the Parent, or, where this is subdivided in tiers, as tier 2 basic own funds (howsoever described at the time), on a solo and/or consolidated basis, except where such non-qualification is only as a result of any applicable limitation on the amount of such capital;

**Coupon Payment** means, in respect of an Interest Payment Date, the aggregate coupon amounts for the Interest Period ending on such Interest Payment Date;

**Deferral Notice** has the meaning ascribed to it in Condition 5(a);

**First Optional Redemption Date** means 29 August 2022;

**Junior Securities** means any securities of the Issuer ranking or expressed to rank junior to the Notes or any securities where the terms of those securities benefit from a guarantee or support agreement entered into by the Issuer which ranks or is expressed to rank junior to the Notes;

**Liabilities** means the non-consolidated gross liabilities of the Issuer as shown by the then latest published audited balance sheet of the Issuer, but adjusted for contingencies and for subsequent events in such manner and to such extent as the directors, the auditors or, as the case may be, the liquidator may determine;

the **Mandatory Non-payment Condition** is met if:

- (i) the Issuer determines that it is not or, on the relevant date on which a payment would be made after taking into account amounts payable on that date on the Notes, will not be Solvent;
- (ii) a Capital Adequacy Event has occurred and continues to exist and a deferral of interest and/or a suspension of payment of principal, as applicable, is required under the Capital Adequacy Regulations; or
- (iii) if under the Capital Adequacy Regulations, the Regulator has required or requested the Issuer not to make any payments on the Notes in view of the financial condition of the Issuer;

provided that if the Regulator allows payment nevertheless, the Mandatory Non-Payment Condition is not met;

**Optional Interest Payment Date** means any Interest Payment Date where (a) no dividend or other distribution has been irrevocably declared or paid on any class of the Parent's or the Issuer's share capital in the 6 month period prior to such Interest Payment Date and (b) no payments have been made in respect of

any Junior Securities or Parity Securities (other than the Notes) in the 6 month period prior to such Interest Payment Date, save where the Parent or the Issuer or the relevant other person which has issued such Junior Securities or Parity Securities is not able to defer, pass or eliminate or continue to eliminate a dividend or other distribution or any other payment in accordance with the terms and conditions of those securities or guarantees;

**Optional Redemption Date** means 29 August 2022 or any Interest Payment Date thereafter;

**Parent** means Delta Lloyd N.V. or any other entity of which the Issuer is at any time a Subsidiary;

**Parity Securities** means any securities of the Issuer ranking or expressed to rank *pari passu* with the Notes or any securities where the terms of those securities benefit from a guarantee or support agreement entered into by the Issuer which ranks or is expressed to rank *pari passu* with the Notes;

**Payment** means any Coupon Payment or any accrued interest which is due and payable in respect of the Notes;

**Regulator** means any existing or future regulator having primary supervisory authority with respect to the Issuer; on the Issue Date, the Regulator is De Nederlandsche Bank N.V.;

**Solvency II Directive** means Directive 2009/138/EC including the implementing measures thereunder, as the same may be amended from time to time;

**Solvent** means that the Issuer is (a) able to pay its debts to its unsubordinated and unsecured creditors as they fall due and (b) its Assets exceed its Liabilities (other than its Liabilities to persons who are not unsubordinated and unsecured creditors); and

**Subsidiary** means a subsidiary within the meaning of Section 2:24a of the Dutch Civil Code and any other entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the entity of which the subsidiary is a subsidiary.

## **USE OF PROCEEDS**

The net proceeds of the issue of the Notes, amounting to approximately €497,500,000, will be applied by the Issuer for its general corporate purposes, which may include subordinated debt refinancing.

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL NOTES

*The following is a summary of the provisions to be contained in the Global Notes which will apply to, and in some cases modify, the Terms and Conditions of the Notes while the Notes are represented by the Global Notes.*

### 1. Exchange

The Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for duly authenticated and completed Definitive Notes:

- (i) if the Notes are held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so;
- (ii) if principal in respect of any Note is not paid when due; or
- (iii) with the consent of the Issuer.

The Issuer will promptly give notice to Noteholders if one of the events listed above (each an **Exchange Event**) occurs. The holder of the Permanent Global Note, acting on the instructions of one or more of the Accountholders (as defined below), may give notice to the Issuer and the Fiscal Agent, in the case of (iii) only if prior written consent from the Issuer has been obtained, may give notice to the Fiscal Agent of its intention to exchange the Permanent Global Note for Definitive Notes on or after the Exchange Date (as defined below).

On or after the Exchange Date the holder of the Permanent Global Note may surrender the Permanent Global Note to or to the order of the Fiscal Agent. In exchange for the Permanent Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of Definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Fiscal Agency Agreement. On exchange of the Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant Definitive Notes.

For these purposes, Exchange Date means a day specified in the notice requiring exchange falling not less than 30 days after that on which such notice is given, being a day on which banks are open for general business in the place in which the specified office of the Fiscal Agent is located and, except in the case of exchange pursuant to (i) above, in the place in which the relevant clearing system is located.

### 2. Payments

On and after 8 October 2012, no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by a Global Note will, subject as set out below, be made to the bearer of such Global Note and, if no further payment falls to be made in respect of the Notes, against surrender of such Global Note to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. The Issuer shall procure that the amount so paid shall be entered pro rata in the records of Euroclear and Clearstream, Luxembourg and the nominal amount of the Notes recorded in the records of Euroclear and



Clearstream, Luxembourg and represented by such Global Note will be reduced accordingly. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of Euroclear and Clearstream, Luxembourg shall not affect such discharge. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

### **3. Notices**

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders rather than by publication as required by Condition 11. Any such notice shall be deemed to have been given to the Noteholders on the second day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Fiscal Agent and Euroclear and Clearstream, Luxembourg may approve for this purpose.

### **4. Accountholders**

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of Notes (each an **Accountholder**) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of that principal amount for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders and giving notices to the Issuer pursuant to Condition 9) other than with respect to the payment of principal and interest on the principal amount of such Notes, the right to which shall be vested, as against the Issuer solely in the bearer of the relevant Global Note in accordance with and subject to its terms. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

### **5 Meetings**

The Noteholder of the Global Note shall be treated at any meeting of Noteholders as having one vote in respect of each €1,000 principal amount of Notes for which the Global Note may be exchanged.

### **6. Prescription**

Claims for principal and premium (if any) in respect of the Global Note shall become void unless the Global Note is surrendered for payment within five years, and claims for interest shall become void unless made within five years, in each case as of the appropriate due date.

### **7. Cancellation**

Cancellation of any Note will be effected by a reduction in the principal amount of the Global Note.

**8. Euroclear and Clearstream, Luxembourg**

Notes represented by a Global Note are transferable in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as appropriate.

## DESCRIPTION OF THE ISSUER

### General

Delta Lloyd Levensverzekering N.V. (the **Issuer** or **Delta Lloyd Life**) was incorporated under the laws of the Netherlands as a public company with limited liability (*naamloze vennootschap*) on 23 July 1892 and has its statutory seat in Amsterdam, The Netherlands. The Issuer is registered at the Commercial Register of the Chamber of Commerce of Amsterdam (*Handelsregister van de Kamer van Koophandel en Fabrieken voor Amsterdam*) under 33001488. The registered office of the Issuer is Spaklerweg 4, 1096 BA Amsterdam, The Netherlands with telephone number +31 (0)20 594 3028.

The corporate objectives of the Issuer are the conducting of the life insurance business in accordance with the relevant legislation, the participation in, financing of, cooperating with and managing of legal entities or other enterprises and providing advice and other services all specifically in respect of enterprises practising the life insurance business, as well as to do all that is connected therewith or may be conducive thereto.

The Issuer is a directly wholly-owned subsidiary of Delta Lloyd Houdstermaatschappij Verzekeringen N.V. (**Delta Lloyd Houdstermaatschappij**) and an indirectly wholly-owned subsidiary of Delta Lloyd N.V. The rights of Delta Lloyd Houdstermaatschappij as a shareholder are contained in the Issuer's articles of association.

The Issuer provides the life and pension insurance business for Delta Lloyd N.V. and its subsidiaries (collectively, the **Group**) through the brand names Delta Lloyd, ABN AMRO Insurance, OHRA and Erasmus. Delta Lloyd N.V. is a holding company and the main activities of the Group are carried out through the Issuer and Delta Lloyd Schadeverzekering N.V. As the Issuer is used as an operational company within the Group to perform the above activities, the history and development of the Issuer coincides with the history and development of the Group, as described in the paragraph "History" below. The Issuer's activities are described in the paragraph "Segments – Life Insurance" below.

### History

The Group's history dates back to 1807. In that year, the Hollandsche Societeit van Levensverzekeringen N.V. was established, making the Group the oldest existing life insurer in continental Europe. Hollandsche Societeit van Levensverzekeringen N.V. strengthened its position in the insurance and investment market by merging in 1967 with Amsterdamse Maatschappij van Levensverzekering N.V. The resulting entity, Delta, then merged with the general insurance company Nedlloyd to create Delta Lloyd N.V. in 1969.

Commercial Union, a UK-based insurer with an extensive international network, became Delta Lloyd N.V.'s only shareholder in 1973, while Delta Lloyd N.V. retained operational independence and continued to operate under its own brand name in the Dutch market. Commercial Union merged with General Accident in 1998 to form CGU plc, which then merged with Norwich Union plc in 2000 to create CGNU plc, which was renamed Aviva plc (**Aviva**) in 2002.

Through various acquisitions and mergers in the Netherlands, Germany and Belgium and its joint venture with ABN AMRO Bank, the Group obtained its current form; being a financial services provider offering life insurance, general insurance, fund management and banking products and services. One of the most important mergers in this regard was the merger with Nuts OHRA Beheer B.V., a Netherlands-based direct insurance writer. Nuts OHRA Beheer B.V.'s shareholder, Vereniging NutsOhra (now called Stichting Fonds NutsOhra (**Fonds NutsOhra**)) became a shareholder at the time of the merger. Following the merger, Delta Lloyd N.V. had two shareholders, Aviva held 92% of the voting rights and Fonds NutsOhra held 8% of the voting rights. The merger allowed the combined company to begin to pursue its multi-brand, multi-channel

distribution strategy in the Netherlands, as distribution expanded from Intermediaries (Delta Lloyd) to include also direct sales (OHRA).

On 3 November 2009, Delta Lloyd N.V. obtained an official listing on NYSE Euronext in Amsterdam. As of 2 March 2010, Delta Lloyd N.V. is included in the Amsterdam Midkap Index (**AMX index**). The AMX index is a capitalization weighted index composed of the 25 funds that rank 26-50 in terms of regulated turnover on the Amsterdam Stock Exchange.

## **Business**

### **Overview**

The Group is a financial services provider offering life insurance, general insurance, fund management and banking products and services with its targeted markets being the Netherlands and Belgium. In 2011, the Group recorded gross written premiums of €5,872 million.

The Group employs a multi-brand, multi-channel strategy in the Netherlands in order to position itself advantageously in different distribution channels and customer and pricing segments in the insurance market. The primary differences among the Group's three principal Dutch brands (Delta Lloyd, ABN AMRO Insurance and OHRA) result from the positioning, pricing, marketing and distribution of their products.

Through the Delta Lloyd brand, the Group targets retail and commercial customers in the middle to premium range of the life and general insurance markets, distributing primarily through independent intermediaries, which include independent financial advisers, underwriting agents (*volmacht*, with respect to general insurance), actuarial consulting firms (with respect to group life insurance) and brokers (together, **Intermediaries**). Through the ABN AMRO Insurance brand, the Group generally targets individuals, but has some group and commercial customers, in the middle range of the life and general insurance markets, leveraging the distribution network of ABN AMRO Bank, which includes bank branches, call centres, financial centres and bank internet platforms (together, **Bancassurance**). Through the OHRA brand, the Group offers commodity products in the life and general insurance markets, distributing primarily through direct channels such as call centres and the internet. In Belgium, the Group distributes its insurance products through Intermediaries, tied agents (agents which sell only products of the Group) and through its own network of bank branches.

The Group has extensive distribution networks with large customer bases in the Netherlands and Belgium, which it believes will provide the platform for the Group to continue to grow in those mature markets. In addition, the Group has maintained a strong capital position through the recent economic downturn. The Group seeks to grow through a combination of organic growth and targeted acquisitions.

The Group also has operations in Germany, however on 30 September 2011, Delta Lloyd N.V. announced the sale of its German business to Nomura Holdings, Inc. This is in line with Delta Lloyd N.V.'s stated strategy to focus on its core markets, the Netherlands and Belgium. The proposed sale of Delta Lloyd Germany still awaits final approval from the German supervisor *Bundesanstalt für Finanzdienstleistungsaufsicht* (**Bafin**). The Group is confident that the proposed transfer of all assets and liabilities from Delta Lloyd Lebensversicherung and the sale of all shares in other German subsidiaries to Nomura Holdings, Inc remains possible, though the situation in the financial markets must improve first. Approval from Bafin is expected in the second half of 2012.

## ***Segments***

The Group's core business lines are the following:

*Life Insurance:* The life insurance operations are the Group's primary business. The Group offers, through its multiple brands, a range of products from commodity insurance products to tailor-made and often sophisticated insurance products, as well as commodity savings and financial planning services. Its core life insurance products include pension (in particular group pension) products and administration services for group customers and traditional and unit-linked life insurance and savings products for individual customers. The Group offers individual and group life insurance in the Netherlands principally under the Delta Lloyd, ABN AMRO Insurance and OHRA brands, utilising different customer and pricing strategies through Intermediaries (Delta Lloyd), Bancassurance (ABN AMRO Insurance) and direct (OHRA) distribution channels. In Belgium, the Group sells individual and group life insurance primarily under the Delta Lloyd Belgium brand, distributed through the Group's own network of bank branches and tied agents, as well as through Intermediaries.

*General Insurance:* The Group offers a broad range of general insurance products, principally in the Netherlands, including products such as motor, fire, liability, income and absenteeism and marine/pleasure craft insurance policies. The Group's general insurance products are distributed to both private and commercial customers in the Netherlands under the Group's three principal brands using distribution channels similar to those used for its life insurance operations. Following the sale of the Group's Dutch health insurance business to CZ (with effect from 1 January 2009), the Group acts as a distributor of certain health insurance products underwritten by CZ which are sold under the Delta Lloyd and OHRA brands, for which the Group receives fees and commissions. At the end of 2011, a joint venture (Delta Lloyd: 51%) with Friesland Bank (which became a wholly-owned subsidiary of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. in April 2012) was established, which will give the Group rights to exclusive distribution and sales of insurance products under the Friesland Bank Insurance label for a thirty-year period. In Belgium certain general insurance products (motor, liability and fire) are offered through the Zelia brand. The Group does not offer its own general insurance products in Germany, but distributes insurance underwritten by third parties.

*Asset Management:* The Asset Management segment comprises the activities of Delta Lloyd Asset Management N.V. (**Delta Lloyd Asset Management**) and the asset management activities of various lines of business. The segment accounted for 9% of the Group's operational result after tax and non-controlling interest for 2011. Delta Lloyd Asset Management's product offering includes a range of third-party investor funds for institutional and retail customers and discretionary mandates for institutional customers. In addition, it manages real estate funds available to the Group and third-party investors, as well as a boutique fund company, Cyte, aimed at institutions and family offices. Certain other segments of the Group also manage assets. Delta Lloyd Asset Management has in that regard an advisory role. Institutional fund sales take place primarily through the segment's dedicated sales force. For sales to retail investors, Fund Management generally relies on third-party banks in the Netherlands, Belgium and Germany, though a small portion of retail fund sales (unit-linked insurance) are distributed through the Group's own distribution channels. In the Netherlands, funds are distributed largely by Dutch retail banks, including ABN AMRO Bank, Rabobank and ING. The Group managed assets are valued at €73.9 billion as at 31 December 2011, of which €45.7 billion related to the Group's own risk assets.

*Banking:* The Group's banking business line offers a range of banking products and services in the Netherlands and Belgium. Its banking products and services in the Netherlands primarily include mortgage loans, as well as savings and *banksparen* distributed through Intermediaries and direct channels. Customers are increasingly taking up *banksparen* as an alternative to individual life products. In the Netherlands, the Group uses Amstelhuys N.V. (**Amstelhuys**) (a wholly-owned subsidiary of Delta Lloyd N.V. which is not included in the banking segment) as originator of most of its residential mortgage loans and as a funding

vehicle. In January 2011, Amstelhuys carried out the first publicly placed residential mortgage securitisation of that year with notes being sold to institutional investors.

In Belgium, the Group offers its services through its own network of branches, as well as through tied agents and direct channels. In 2010, Delta Lloyd Bank Belgium has announced a change in its commercial focus in Belgium. The emphasis will be shifted from the volume strategy to the target group of customers who expect extra services and appreciate a personal relationship and individual asset management advice. In pursuing this new focus, Delta Lloyd Bank Belgium will adjust its product portfolio, its branch network and its cooperation with independent intermediaries, while keeping an eye on the interests of its existing customers.

## **Recent Developments**

The Issuer uses the "Collateralised AAA curve" to measure the value of the majority of its life insurance contracts. This curve is compiled from approximately 350 bonds. The Collateralised AAA curve is currently lower than at year-end 2011, having decreased by 114 basis points at the 10-year point, partly as a result of a general fall in interest rate curves in the past half year. In addition, all the Spanish and Italian bonds were removed from the Collateralised AAA curve in February 2012 due to downgrades and at that time, this and other changes in its composition caused the curve – averaged over the duration – to fall further, by about 20 basis points.

The Collateralised AAA curve is also used to report under the Wft. The insurance liabilities are tested as required by DNB. The majority of them are measured using the ECB AAA curve, and any deficit is added to the provision.

The lower curve led to higher life insurance liabilities of approximately €0.4 billion which is mostly compensated by an increase on debt securities and interest based derivatives resulting in a net result after taxes of €413 million at the end of June 2012.

It should be noted that regulatory solvency under the IGD (Insurance Group Directive) is based mainly on the ECB AAA curve and so different sensitivities apply to IGD solvency. The introduction of the Ultimate Forward Rate by the DNB had a positive impact on IGD solvency of about 30 percentage points at the end of the first quarter 2012. Solvency under the IGD increased to 275% at the end of June 2012 (year-end 2011: 200%).

During the first half year of 2012 three large pension contracts were closed with total single premium of €415 million. With these contracts the Issuer increased its position on the Dutch pension market.

As of 2012, Delta Lloyd Herverzekeringsmaatschappij N.V. (Delta Lloyd Reinsurance) is incorporated in the consolidated financial statements of the Issuer. This has an impact of approximately €23 million on the shareholders' funds and approximately €61 million on the total assets per 1 January 2012.

On 2 August 2012, Delta Lloyd N.V. published its Interim financial report 2012, which includes its consolidated interim financial report for the period ended 30 June 2012 and financial information relating to its business segments, including its Life business (which includes the Issuer and its consolidated subsidiaries).

## **Organisational Structure**

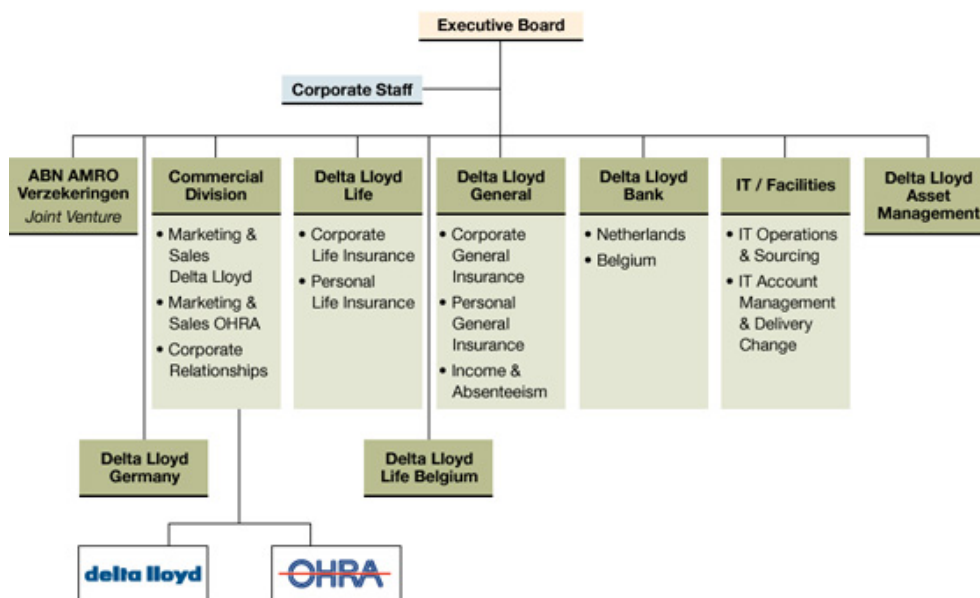
The Group provides banking and insurance services and operates under different brand names. Pursuant to Dutch law, the banking and insurance activities must be undertaken through separate companies. The various subsidiaries of Delta Lloyd N.V., the parent company, have been clustered into a number of divisions, whereby the corporate structure matches the label structure. The subsidiaries controlled by Delta Lloyd N.V. are consolidated in the financial statements of Delta Lloyd N.V.

From 1 January 2011, a new organisational structure of the Group was introduced. This structure aims to simplify the organisation and improve the customer focus by separating commercial and operational insurance and banking activities and reducing the number of direct reports to the executive board of Delta Lloyd N.V.

The key point in the simplification of the Dutch organisation are:

- The establishment of a new commercial division to be responsible for marketing and sales of the Dutch insurance and banking activities of Delta Lloyd and OHRA;
- Operational insurance activities (administration, processing) have been placed in a life insurance division and a general insurance division leading to a reduce of the number of risk bearers from twelve to five (compared to 2008);
- A separation between commercial and operational banking and insurance activities;
- ABN AMRO insurance joint venture has retained its position in the Group;
- A merger of corporate functions at group level leading to a reduction from thirteen to seven; and
- A reduction of the number of directors from fifty-two to thirty-two.

#### New organisational structure from 1 January 2011



Delta Lloyd N.V. and its Dutch-based subsidiaries are under the supervision of various regulatory authorities including the Dutch Central Bank, *De Nederlandsche Bank (DNB)*, the Netherlands Authority for the Financial Markets, *Autoriteit Financiële Markten (AFM)*, the Netherlands Competition Authority, *Nederlandse Mededingingsautoriteit (NMa)*, the Dutch Data Protection Authority *College Bescherming Persoonsgegevens, (CBP)* and the Dutch Healthcare Authority, *Nederlandse Zorgautoriteit (Nza)*. Delta Lloyd Life Belgium is under the supervision of the National Bank of Belgium (*Nationale Bank van België*), whilst Bafin is the primary regulator for Delta Lloyd Germany.

## Management

As at the date of this Prospectus, the management board of the Issuer, whose business address is Spaklerweg 4, 1096 BA Amsterdam, The Netherlands is composed as follows:

<b>A.J. (Aartjan) Paauw</b>	Member of the management board of the Issuer  Director Group Finance, Control & Tax Delta Lloyd Groep  Director Delta Lloyd Schadeverzekering N.V.
<b>L.M. (Leon) van Riet</b>	Member of the management board of the Issuer  Chairman Policy Committee "Zakelijke Markt" / Dutch Association of Insurers  Member sector board "Leven" / Dutch Association of Insurers  Director BeFrank PPI N.V.

The Issuer is not aware of any potential conflicts between any duties of the members of the management board to the Issuer and their private interests and/or other duties.

As at the date of this Prospectus, the supervisory board of the Issuer, whose business address is Spaklerweg 4, 1096 BA Amsterdam, The Netherlands is composed as follows:

<b>N.W. (Niek) Hoek</b>	Mr. Hoek is a member of the supervisory board of the Issuer and the chairman of the executive board of Delta Lloyd N.V.
<b>P.K. (Paul) Medendorp</b>	Mr. Medendorp is a member of the supervisory board of the Issuer and a member of the executive board of Delta Lloyd N.V.
<b>E.A.A. (Emiel) Roozen</b>	Mr. Roozen is a member of the supervisory board of the Issuer and the chief financial officer of the executive board of Delta Lloyd N.V.
<b>O.W. (Onno) Verstegen</b>	Mr. Verstegen is a member of the supervisory board of the Issuer and a member of the executive board of Delta Lloyd N.V.

The Issuer is not aware of any potential conflicts between any duties of the members of the supervisory board to the Issuer and their private interests and/or other duties.



## TAXATION

### General

The following summary outlines the principal Netherlands tax consequences of the acquisition, holding, settlement, redemption and disposal of the Notes, but does not purport to be a comprehensive description of all Netherlands tax considerations in relation thereto. This summary is intended as general information only and each prospective investor should consult a professional tax adviser with respect to the tax consequences of an investment in the Notes.

This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as of the date of this Prospectus, and does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

This summary does not address the Netherlands tax consequences for:

- (i) holders of Notes holding a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Issuer and holders of Notes of whom a certain related person holds a substantial interest in the Issuer. Generally speaking, a substantial interest in the Issuer arises if a person, alone or, where such person is an individual, together with his or her partner (statutory defined term), directly or indirectly, holds or is deemed to hold (i) an interest of 5% or more of the total issued capital of the Issuer or of 5% or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Issuer;
- (ii) investment institutions (*fiscale beleggingsinstellingen*);
- (iii) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other entities that are exempt from Netherlands corporate income tax; and
- (iv) persons to whom the Notes and the income from the Notes are attributed based on the separated private assets (*afgezonderd particulier vermogen*) provisions of the Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) and the Netherlands Gift and Inheritance Tax Act (*Successiewet 1956*).

Where this summary refers to the Netherlands, such reference is restricted to the part of the Kingdom of the Netherlands that is situated in Europe and the legislation applicable in that part of the Kingdom.

### Withholding Tax

All payments made by the Issuer under the Notes may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

### Corporate and Individual Income Tax

- (a) Residents of the Netherlands

If a holder is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes and is fully subject to Netherlands corporate income tax or is only subject to Netherlands corporate income tax in respect of an enterprise to which the Notes are attributable, income derived from the Notes and gains realised upon the redemption, settlement or disposal of the Notes are generally taxable in the Netherlands (at up to a maximum rate of 25%).

If an individual holder is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes (including an individual holder who has opted to be taxed as a resident of the Netherlands), income derived from the Notes and gains realised upon the redemption, settlement or disposal of the Notes are taxable at the progressive rates (at up to a maximum rate of 52%) under the Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), if:

- (i) the holder is an entrepreneur (*ondernemer*) and has an enterprise to which the Notes are attributable or the holder has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise the Notes are attributable; or
- (ii) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which include the performance of activities with respect to the Notes that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) applies to the holder of the Notes, taxable income with regard to the Notes must be determined on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return on income from savings and investments is fixed at a rate of 4% of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year (1 January), insofar as the individual's yield basis exceeds a certain threshold. The individual's yield basis is determined as the fair market value of certain qualifying assets held by the holder of the Notes less the fair market value of certain qualifying liabilities on 1 January. The fair market value of the Notes will be included as an asset in the individual's yield basis. The 4% deemed return on income from savings and investments is taxed at a rate of 30%.

(b) Non-residents of the Netherlands

If a holder is not a resident nor is deemed to be a resident of the Netherlands for Netherlands tax purposes (nor has opted to be taxed as a resident of the Netherlands), such holder is not liable for Netherlands income tax in respect of income derived from the Notes and gains realised upon the settlement, redemption or disposal of the Notes, unless:

- (i) the holder is not an individual and such holder (1) has an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Notes are attributable, or (2) is (other than by way of securities) entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, which is effectively managed in the Netherlands and to which enterprise the Notes are attributable

This income is subject to Netherlands corporate income tax at up to a maximum rate of 25%.

- (ii) the holder is an individual and such holder (1) has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Notes are attributable, or (2) realises income or gains with respect to the Notes that qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*) in the Netherlands, which activities include the performance of activities in the Netherlands with respect to the Notes which exceed regular, active portfolio management (*normaal, actief vermogensbeheer*), or (3) is (other than by way of securities) entitled to a share in the profits of an enterprise which is effectively managed in the Netherlands and to which enterprise the Notes are attributable.

Income derived from the Notes as specified under (1) and (2) is subject to individual income tax at up to a maximum rate of 52%. Income derived from a share in the profits as specified under (3) that is not already included under (1) or (2) will be taxed on the basis of a deemed return on income from savings and investments (as described above under "Residents of the Netherlands"). The fair

market value of the share in the profits of the enterprise (which includes the Notes) will be part of the individual's Netherlands yield basis.

### **Gift and Inheritance Tax**

Netherlands gift or inheritance taxes will not be levied on the occasion of the transfer of a Note by way of gift by, or on the death of, a holder of a Note, unless:

- (i) the holder of a Note is, or is deemed to be, resident in The Netherlands for the purpose of the relevant provisions; or
- (ii) the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in The Netherlands for the purpose of the relevant provisions.

### **Value Added Tax**

In general, no value added tax will arise in respect of payments in consideration for the issue of the Notes or in respect of a cash payment made under the Notes, or in respect of a transfer of Notes.

### **Other Taxes and Duties**

No registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty will be payable in the Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Notes.

### **EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

## SUBSCRIPTION AND SALE

The Managers have, pursuant to a Subscription Agreement (the **Subscription Agreement**) dated 24 August 2012, jointly and severally agreed to subscribe or procure subscribers for the Notes at the issue price of 100 per cent. of the principal amount of Notes, less a combined management and underwriting commission of 0.5 per cent. of the principal amount of the Notes. The Issuer will also reimburse the Managers in respect of certain of their expenses, and has agreed to indemnify the Managers against certain liabilities, incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer. In such event, no Notes will be delivered to the Managers.

### United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

### United Kingdom

The Managers have represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a **Relevant Member State**), the Managers have represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of the Notes which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State other than: (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive; (b) to fewer

than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive; or (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes shall require the Issuer or the Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of the Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

## **General**

No action has been taken by the Issuer or the Managers that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, the each of the Managers has undertaken that it will not, directly or indirectly, offer or sell any Notes or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

## GENERAL INFORMATION

### Authorisation

The issue of the Notes was duly authorised by the management board (*bestuur*) of the Issuer on 3 July 2012.

### Listing

Application has been made to Euronext for the Notes to be listed on Euronext Amsterdam on or about 29 August 2012. References in this Prospectus to the Notes being “listed” (and all related references) shall mean that the Notes have been listed and admitted to trading on Euronext Amsterdam. Euronext Amsterdam is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

The estimated total costs involved with such listing and admission to trading amount to €8,000.

### Clearing Systems

The Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records) with a Common Code of 082116842. The International Securities Identification Number (ISIN) for the Notes is XS0821168423.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg.

### Responsibility

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

### No significant change

There has been no significant change in the financial or trading position of the Issuer and its consolidated subsidiaries (the **DLL Group**) since 31 December 2011 and there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2011.

### Litigation

The Issuer neither is nor has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the DLL Group.

### Auditors

The financial statements of the Issuer for the financial years ended 31 December 2011 and 2010 have been audited by Ernst & Young Accountants LLP. The auditors of Ernst & Young Accountants LLP are members of the Royal Dutch Institute for registered accountants (*Koninklijk Nederlands Instituut van Registeraccountants (NIVRA)*). Ernst & Young Accountants LLP has issued an unqualified auditors' report on the financial statements for the financial year ended 31 December 2011 dated 13 April 2012 and an

unqualified auditors' report on the financial statements for the financial year ended 31 December 2010 dated 15 September 2011.

The auditors' reports in respect of the financial years ended 31 December 2011 and 2010 incorporated by reference herein are included in the form and context in which they appear with the consent of Ernst & Young Accountants LLP, who have authorised the contents of these auditors' reports.

#### **U.S. tax**

The Notes and Coupons will contain the following legend: *"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."*

#### **Documents on display**

For the period of 12 months following the date of this Prospectus, copies of the following documents will be available for inspection from the registered office of the Issuer and from the specified offices of the Paying Agent for the time being in London:

- (a) the articles of association (with an English translation thereof) of the Issuer;
- (b) the Fiscal Agency Agreement; and
- (c) any documents incorporated herein by reference.

This Prospectus will be published on [www.deltalloydgroep.com](http://www.deltalloydgroep.com) (section "Investor Relations").

#### **Post-issuance information**

The Issuer does not intend to provide any post-issuance information in relation to this issue of Notes.

#### **Interests material to the issue**

To the Issuer's knowledge, there are no interests of natural and legal persons involved in the issue, including conflicting ones, that are material to the issue.

#### **Managers transacting with the Issuer**

The Managers and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business.

#### **Rating**

The Notes are expected to be rated BBB+ by S&P. S&P is established in the European Union and is registered under Regulation (EU) No 1060/2009.

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## **ISSUER**

### **Delta Lloyd Levensverzekering N.V.**

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1096 BA Amsterdam  
The Netherlands

## **FISCAL AGENT AND PAYING AGENT**

### **Deutsche Bank AG, London Branch**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

## **LEGAL ADVISERS**

*To the Issuer as to Dutch law*

### **Allen & Overy LLP**

Apollolaan 15  
1077 AB Amsterdam  
The Netherlands

*To the Managers as to Dutch law*

### **Linklaters LLP**

WTC Amsterdam  
Zuidplein 180  
1077 XV Amsterdam  
The Netherlands

## **AUDITORS**

### **Ernst & Young Accountants LLP**

Antonio Vivaldistraat 150  
1083 HP Amsterdam  
The Netherlands

## **SOLE STRUCTURING ADVISOR AND ARRANGER**

### **Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank International)**

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PO Box 17100  
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## **JOINT LEAD MANAGERS**

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