Delta Lloyd Bank N.V.

2017 Annual Report

1 ANNUAL REPORT DELTA LLOYD BANK N.V.

1.1 Composition of the boards

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

Management Board

Composition as at 31 December 2017

E. (Erik) Muetstege (1960), CEO and chair[1]

J.E. (Sandra) van Eijk (1971), CFO[2]

M.E. (Monique) Tailor-Hemerijck (1960), CRO[2]

A.J.M. (Marcel) Zuidam (1970), CTO[3]

Resigned in 2017

R.J. (Rogier) de Barbanson (1974), CFRO a.i. [4]

P.S. (Steven) Jonkman (1966), COO[5]

P.R.A. (Peter) Verberne (1974), CFRO[5]

Supervisory Board

Composition as at 31 December 2017

A.A.G. (André) Bergen (1950)

C.J. (Kees) Beuving (1951)

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

Resigned in 2017

I.M.A. (Ingrid) de Graaf-de Swart (1969), chair[6]

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

A.P. (Annemarie) Mijer-Nienhuis (1970)[7]

Reference is made to the paragraph Responsibility Annual Report 2017 on page 5.

[1] Appointment as at 13 April 2017 at the General Meeting on 12 April 2017.
[2] Appointment as at 18 July 2017 at the General Meeting on 18 July 2017.
[3] Resignation as CEO and chair of the Management Board and continuation of his membership of the Management Board as CTO at 13 April 2017 at the General Meeting on 12 April 2017.
[4] Resignation as at 15 February 2017 by resignation letter.
[5] Resignation as at 18 July 2017 by resignation letter.
[6] Resignation as at 1 January 2017 by resignation letter.
[7] Resignation as at 1 August 2017 at the General Meeting on 27 July 2017.

1.2 NN Group and Delta Lloyd Bank at a glance

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

NN Group

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

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

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

Acquisition of Delta Lloyd

NN Group and Delta Lloyd have joined forces in the Netherlands and Belgium. On 12 April 2017, they jointly announced that NN Group had acquired 79.9% of the Delta Lloyd shares: the acquisition was completed. NN Group and Delta Lloyd started the integration process. At the end of April 2017, NN Group held more than 93% of the Delta Lloyd shares, and appointed senior management at the business units and functional leaders at the head office. On 1 June 2017, NN Group established a legal merger to effectively achieve full ownership of the Delta Lloyd group. From that date, Delta Lloyd N.V. was no longer a listed company and ceased to exist. Read more about the Delta Lloyd transaction in Note 44 'Companies and business acquired and divested' of the NN Group Financial Report.

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

The acquisition means that the former Delta Lloyd Bank activities will be integrated into Nationale-Nederlanden Bank N.V. (NN Bank) and will be continued under NN Bank.

Delta Lloyd Bank

With retail banking services that cover mortgage loans, consumer loans, bank annuities, savings products and mutual funds, Delta Lloyd Bank helped its customers to be well prepared for the important moments in their financial lives. Our modern and customer-friendly mobile and online banking environment makes it easier for our customers to manage their financial affairs. Our products were sold through independent intermediaries and directly online under both Delta Lloyd and OHRA labels. Delta Lloyd Bank offered mortgage administration and reporting services to other NN Group subsidiaries as well.

Legal structure Delta Lloyd Bank

Until 1 June 2017, Delta Lloyd Bank was a direct subsidiary of Delta Lloyd N.V. (Delta Lloyd). On 31 May 2017, Delta Lloyd entered into a legal merger with NN Group Bidco B.V. (NN Group Bidco). As a result of this merger, Delta Lloyd ceased to exist as a separate legal entity and NN Group Bidco acquired all assets and liabilities of Delta Lloyd under universal title of succession, as per 1 June 2017. On that date, the shares of Delta Lloyd Bank transferred from Delta Lloyd to NN Group Bidco by operation of law. On 31 August 2017, the shares of Delta Lloyd Bank were transferred from NN Group Bidco to NN Group.

Delta Lloyd Bank entered into a legal merger with NN Bank. As a result of this merger, Delta Lloyd Bank ceased to exist as a separate legal entity and NN Bank acquired all assets and liabilities of Delta Lloyd Bank under universal title of succession, as per 1 January 2018. As of this date, Delta Lloyd Bank and OHRA Bank are brands of NN Bank. The company’s activities will be integrated into NN Bank. Reference is made to Section 4.3.11 ‘Subsequent and other events’.

Responsibility Annual Report 2017

As a result of the legal merger between Delta Lloyd Bank and NN Bank, the obligations with respect to the Annual Report 2017 of Delta Lloyd Bank are complied with by NN Bank.

1.3 Report of the Management Board

Business developments

Profile of Delta Lloyd Bank

Delta Lloyd Bank’s focus has been on mortgages and products related to wealth accumulation. Our target groups are individual consumers and the self-employed. Delta Lloyd Bank products were distributed through intermediaries and through direct channels (online and mobile), using state-of-the-art technology. Our activities were conducted under the Delta Lloyd and OHRA labels.

Delta Lloyd Bank supported other NN Group entities by managing their mortgage portfolios. We cooperate with third-party servicers and fintech companies. Delta Lloyd Bank focused on constantly improving its customer experience through customer excellence and operational efficiency initiatives, and increasing the self-service options for our customers and intermediaries. A key pillar of our strategy has been to continuously empower our employees and put them at the forefront of realising our strategic priorities.

Delta Lloyd Bank had a conservative risk appetite. Our assets mainly consist of high-quality Dutch residential mortgages, including a significant part under the National State Guarantee scheme (*Nationale Hypotheek Garantie* or NHG), and we have a stable and diversified funding base and a strong capital position.

Integration with NN Bank

2017 turned out to be an important year for Delta Lloyd Bank’s future. After NN Group acquired Delta Lloyd group, NN Bank and Delta Lloyd Bank started preparing for the merger. Combining the businesses will lead to economies of scale and increased profitability.

As a first step in the integration of NN Bank and Delta Lloyd Bank, the Management Board was appointed. On 13 April 2017, Erik Muetstege, CEO of NN Bank, was appointed as CEO of Delta Lloyd Bank and on 1 July 2017, Marcel Zuidam was appointed as Chief Transition Officer of Delta Lloyd Bank and NN Bank. Sandra van Eijk and Monique Hemerijck, NN Bank’s CFO and CRO respectively, were appointed as Delta Lloyd Bank’s CFO and CRO on 18 July 2017. Subsequently, Peter Verberne (CFRO), who was appointed on 15 February 2017 and took over the tasks of Rogier de Barbanson (CFRO a.i.), and Steven Jonkman (COO) left Delta Lloyd Bank’s Management Board. Furthermore, the members of the management team of the intended combined bank were appointed and a start was made with the plans of the integration (including a restructuring of the bank as per the date of the merger and the selection of the target systems of NN Bank).

On 11 September 2017, NN Bank filed its request for a declaration of no objection with the Dutch Central Bank (DNB). On 8 December 2017, DNB issued this declaration of no objection (DNO) for the merger between Delta Lloyd Bank and NN Bank. The legal merger took effect on 1 January 2018.

Customer interest

To further improve our products and services, we put simplicity and customers’ interest first in all our products, services, processes and communication. This customer-centric focus touches every part of our business.

This focus is underpinned by the bankers’ oath, which all Delta Lloyd Bank’s employees have taken.

To facilitate the development of new products and review of existing products, a product approval process was in place, as described in principle 4.5 of the Dutch Banking Code. In 2017, existing products were reviewed. As always, this process explicitly took customer interests into consideration. The quality of the products and the information provided to the customer were key elements in the decision making process. The product documentation must be complete, comprehensible and easily accessible. All new products and services were tested and optimised with feedback from customer panels.

Main achievements for our customers

In line with our strategy, Delta Lloyd Bank continuously improved the customer experience. In our efforts to help our customers to be well prepared for all the important moments in their financial lives, we regularly launched new tools and products. As having committed employees leads to satisfied clients, we have encouraged our employees to take responsibility for the continuous improvement of our customer processes.

In terms of improving customer experience, our main achievements in 2017 were:

- Renewal of our websites for mortgages, savings and investments with simplified navigation and more client focused content, making it easier for our customers to find the information they are looking for
- Introduction of interest rate averaging (‘*rentemiddeling*’) for mortgages, enabling our customers to benefit from the current interest rate climate
- Further enhancement of our self-service environment through:
    - Extension of the number of events in the mortgage application status in the Delta Lloyd App
    - Expansion of the MyDeltaLloyd online portal. Since March 2017, all customers with a Delta Lloyd mortgage have access to all information about their mortgage, including all correspondence. By the end of 2017, 52% of our customers had activated their accounts.
    - Introduction of the iDeal prepayment functionality in November 2017, to support our customers to prepay their mortgage in a fully automated way. With this service, our clients can calculate their new instalment and remaining mortgage after redemption. In the first two months after the introduction, 2,100 customers used this new tool.
    - Improvement of the customer journey for customers with (potential) financial problems, an initiative started in 2016. In 2017, we improved this way of working and aimed to help customers through temporary periods of financial setbacks. Delta Lloyd Bank supported and invited customers on several issues such as non-performing insurances, Interest-only mortgages, non-performing mortgage linked investment portfolios and decrease of income due to pension.
    - Further rollout of the use of WhatsApp in our client services. Our clients appreciate this offering, which resulted in a high Net Promoter Score for this service.

- Introduction of a new tool, jointly with our third party mortgage servicer, that allows the intermediary to digitally upload documents and have them validated automatically. This supports a faster and more reliable process to provide intermediaries and clients certainty about the status of the approval of the mortgage.
- Improvement of the mortgage proposition for entrepreneurs through the acceptance of the standardised income declaration for entrepreneurs for NHG mortgages. We started a pilot to offer the same proposition for self-employed customers and entrepreneurs with non-NHG mortgages.
- Expansion of our initiatives to approach customers with interest-only mortgages, with the aim increasing awareness about required redemption at final maturity and possibilities to amend their mortgage. With this approach, we stimulate our customers to be well prepared for this situation.
- Improvement of various customer journeys, such as the customer journey for maturing banking annuities products
- Introduction of a new Net Banking Annuity product that is focused on the mass affluent client segment and entrepreneurs. With this product, they can accumulate future pension income in a tax-efficient way.
- Awarded of a five-star rating by MoneyView for our bank annuity products (i.e. Delta Lloyd Lijfrente Groeirekening and OHRA Pensioenrekening)

Agile transformation

In order to continuously improve our customer experience and shorten our time to market for process and product innovations, Delta Lloyd Bank's ambition was to fully transform towards an agile organisation. Until 2017, "agile" and "scrum" as working practice were only used in our IT organisation. In 2017, the bank's management team guided the transformation, and initiated further agile way of working across all parts of the bank. Employees were educated in the principles of agile and scrum, and started working in multidisciplinary scrum teams.

Main achievements in our distribution

We served our customers through various distribution channels: online, on the phone and through our intermediaries.

With the integration of front-office call activities and mid-office customer service teams, we ensured that our knowledgeable staff was on hand to help customers and to improve our overall customer experience. We focused on further improving our first-time fix rate and the customer effort score.

With our improved internet banking platform and apps, our customers can now handle their banking affairs themselves. They can manage their own savings accounts, submit construction deposit declarations, execute mutual fund transactions, make instant payment transfers and use iDeal for early redemptions on their mortgages. Our mobile and internet banking platforms have more than 100,000 visitors every month. Last year, more than 60% of our customers actively used our platforms.

Our people

As committed employees lead to satisfied clients, one of the key pillars of our strategy has been to improve employee engagement by continuously empowering our employees.

All employees have been stimulated to work on their personal development plan and have been encouraged to invest in themselves and their employment prospects by taking part in education and training. From mandatory Wft (Financial Supervision Act) training for sales and call personnel to permanent education programmes for the Management Board, development opportunities are numerous.

In 2017, new employee workshops were launched within Delta Lloyd. They enabled employees to be well prepared for their future. Another initiative by Delta Lloyd in 2017 was the introduction of the Leadership Academy, supporting our leaders to be able to develop and inspire their teams. Supported by different themes and a personal program, our leaders can boost their knowledge, capabilities and inspiration.

Since NN Group's acquisition of Delta Lloyd group at the beginning of 2017, plans were made to integrate the NN and Delta Lloyd businesses. Via a 'Hello You' platform and the monthly bulletin 'Hello you essentials', employees are informed and updated about the integration. Employees were invited to complete several 'Hello you' surveys. Numerous colleagues participated in these surveys, expressing how they feel about the integration and providing open comments.

Restructuring

After NN Group's acquisition of Delta Lloyd group, NN Bank and Delta Lloyd Bank decided to integrate their businesses and applied for a declaration of no objection with DNB. In 2017, the following steps were taken to integrate the two banks.

In cooperation with the trade unions, a Joint Reorganisation Framework was determined. This framework sets out clear definitions and procedures that apply to all reorganisations related to the integration process, and that take place between 1 September 2017 and 1 January 2019. The joint framework describes the placement principles for equivalent, discontinued and changed jobs. It also describes the placement principles if a job remains unchanged for an NN employee, but changes for a Delta Lloyd employee, and vice versa.

Another important condition for equal opportunities was the revised Job Framework. In close cooperation with the trade unions, the Job Framework has been revised to provide a level playing field between NN employees and Delta Lloyd employees. In September, all employees received a letter with their job title and level in the new Job Framework. The new job title and level are the starting point in the restructuring plans, related to the integration. Approximately 1,000 employees at NN Bank and Delta Lloyd Bank received a new job title and level.

In July 2017, a weekly dialogue session with the Works Council began to discuss the integration plans. The goal was to submit a Request for Advice regarding the restructuring plans in October 2017 for integrations plans to be implemented between January and July 2018. In the restructuring plans, the design of the organisational structure for the combined bank was described, including the required jobs based on the new Job Framework and the number of FTEs per job. Also the insight of the staffing consequence was given, based on the principles from the Reorganisation Framework. As a result of the integration, which will take shape over the next few years, a bank will arise that is larger in size and scale than the current solo banks. Within the combined bank, sharing of specific knowledge and expertise can take place, which enables the improvement of services to new and existing customers and which makes the combined bank more competitive. The combined bank will be prepared for the future. Increase in scale leads to synergy benefits and reduction of costs, a better risk profile and an improved capital position. The combined bank will have a better market and competitive position. At the end of November, the Works Council gave its positive advice on the integration plans. In December, all employees were informed about individual consequences arising from the Request for Advice.

Market and business developments

Economic conditions

The Dutch economy is flourishing. According to the Dutch Bureau for Economic Policy Analysis (CPB), the Dutch economy is growing by more than 3% for the first time since 2007. Increased employment, income, spending and a booming housing market drove the economic growth of 3.2%. Consumer spending grew by 2.2% in 2017 (source: CPB).

Mortgages

The mortgage market is still experiencing substantial growth. Low mortgage interest rates (source: DNB) and stable high consumer confidence (source: Eigen Huis Marktindicator) provided a positive flow on the mortgage market for the fourth year in a row. The Dutch housing market shows signs of overheating in certain areas. On the one hand, house prices increased by 9.1% in 2017. At the same time, the number of houses sold stagnated due to the shortage in supply, especially in the Randstad, which is the agglomeration of the cities Amsterdam, Utrecht, Rotterdam and The Hague (source: *Nederlandse Vereniging van Makelaars en Taxateurs* [NVM], or Dutch Association of Brokers and Appraisers).

In 2017, the mortgage market was characterised by a significant growth of EUR 101 billion (+24.7%) (source: Kadaster). Delta Lloyd group originated mortgages mainly through its subsidiary Amstelhuys. In 2017, Delta Lloyd increased the volume of new mortgages from EUR 1.6 billion in 2016 to EUR 1.9 billion, an increase of 19%. Our 12-month rolling market share was stable at 2.2%. The majority of this new business production was for other Delta Lloyd group entities, namely Delta Lloyd Levensverzekering N.V., Delta Lloyd Life N.V. Belgium, Delta Lloyd Schadeverzekering N.V. and ABN AMRO Verzekeringen B.V. EUR 395 million was transferred to Delta Lloyd Bank's balance sheet. The overall mortgage portfolio originated by Delta Lloyd increased to EUR 13.6 billion (2016: EUR 13.0 billion). Delta Lloyd Bank managed the portfolio of mortgages originated by Delta Lloyd. In December 2017, Delta Lloyd Bank managed EUR 9.5 billion in mortgages for other Delta Lloyd entities, an increase of 7.2% compared to 2016. Delta Lloyd Bank also managed the mortgage portfolios of external parties worth a total of EUR 258 million.

The quality of our mortgage portfolio remained very high, reflected by a loss rate of 2 bps for the total Delta Lloyd portfolio (2016: 6.47 bps; 2015: 7.34 bps). The low loss rate is due to a low number of losses on mortgages, and the average loss on each mortgage decreased as well. The percentage of mortgages in arrears by three months or more fell in 2017 from 1.4% at year-end 2016 to 0.8% at year-end 2017. This result can be attributed to introduction of preventive arrears management, enhanced forbearance measures (actively seeking contact with customers in case of arrears) and to the improving unemployment rate.

Savings

Despite the average interest rate for savings approaching 0.6% (source: CPI), the savings market showed a limited growth in 2017 of +0.7% to EUR 339 billion (source: CBS). However, this growth is mainly related to (long-term) bank annuity savings (source: DNB).

In looking for safe investments with stable returns, wealthy individuals increasingly invested in real estate. In 2017, 17% of house purchases were financed without a mortgage and the trend is increasing (source: Kadaster). In addition, consumers still dissave by repaying mortgage debt. Starters more often get a supporting contribution from their parents when they buy their first house. This is stimulated by favourable tax rules (source: De Hypotheker Hypotheek Index). Strict mortgage rules force consumers to invest savings when purchasing a new home.

Consumer awareness about their pension gap is increasing, partly due to the current pension debate. Consumers therefore save with supplementary private pension products and, as a result, bank annuity savings grew.

Delta Lloyd Bank maintained a stable volume of funds entrusted by retail customers of EUR 3.6 billion, resulting in a market share of 1.1%, reflecting our margin over volume policy.

Results 2017

Analysis of results

In thousands of euros	2017	2016
Net interest income	37,021	39,780
Net commission income	26,756	25,238
Results from financial transactions	-660	-5,157
Other income	721	25,686
Total income	**63,838**	**85,546**
Staff costs	26,278	27,639
Other expenses	38,979	37,773
Withdrawals from / additions to loan loss provisions	-302	825
Total expenses	**64,955**	**66,236**
Result before Tax	**-1,117**	**19,310**
Taxation	303	-4,835
Net result	**-814**	**14,474**

Key figures

In thousands of euros, unless otherwise stated	2017	2016
Loans and receivables	4,546,526	4,614,170
Funds entrusted	3,565,917	3,609,052
Total assets	5,343,309	5,490,752
Net interest margin	0.8%	0.9%
Cost/Income ratio (%)	102%	77%
Return on assets (%)	0.0%	0.3%
Regulatory capital	198,389	200,845
Regulatory capital, CET1 ratio (%)	16.6%	17.1%
Regulatory capital, Total Capital ratio (%)	16.8%	17.4%
Leverage ratio	3.7%	3.6%
LCR	223%	168%
Average number of FTEs	249	239

Profitability

Delta Lloyd Bank's result in 2017 strongly declined compared to 2016. Delta Lloyd Bank's result in 2016 is mainly driven by the capital enhancement transaction (EUR 24.9 million), whereas 2017 reflects a stabilised net interest income, including a change in accounting treatment for penalty interest[1], moderate growth of the commission income, as well as a stable cost level.

The stabilised balance sheet in 2017 resulted in a stable net interest income. Lower mortgage interest rates and a higher swap volume are compensated by lower savings rates and lower costs for mortgage securitisation.

Net commission income increased in 2017 as a result of higher mortgage production for other Delta Lloyd entities and an increasing volume of managed mortgage portfolios.

In 2017, total expenses decreased to EUR 65.0 million (2016: EUR 66.2 million). The integration with NN Bank impacted total expenses. In particular, staff costs were impacted by restructuring costs (EUR 5.5 million) of which EUR 5.0 million is recognised as a provision and the remainder as a liability. The acquisition by NN Group had an impact on the commercial activities and change initiatives, resulting in lower group charges and change expenses. The new pension scheme (CDC, based on Defined Contribution) resulted in lower pension costs in 2017. Regulatory levies decreased to EUR 4.0 million (2016: EUR 4.5 million), of which the Deposit Guarantee Scheme was influenced by a lower risk factor.

There were limited changes to loan loss provisions, reflecting the high quality of the loan portfolio.

Capital and liquidity

During 2017 both Total Risk exposure Amount for credit risk and operational risk increased marginally. Furthermore, the negative result impacted the capital position. Combined these effects cause a slight deterioration of the capital position of 0.5%. The position at year-end 2017 is at 16.6% (2016: 17.1%).

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[1] Until 2016, Delta Lloyd Bank recognised the full penalty interest in the profit and loss account. As from 2017, the effective interest method with respect to penalty interest charged to clients on converted mortgage loans is applied (retrospectively).

The LCR strongly improved from 168% in 2016 to 223% in 2017, reflecting the lower allocation of mortgages to its own balance sheet. This resulted in a declining pipeline volume, while on the other hand, the mortgage portfolio declined due to (p)repayments. Furthermore, Delta Lloyd Bank raised an intragroup loan with NN Bank of EUR 130 million, which increased the liquidity position.

Corporate Governance

General

Delta Lloyd Bank had a two-tier Board system, consisting of a Supervisory Board and a Management Board. The Supervisory Board supervised the policy of the Management Board and the general course of events at the company, and assisted the Management Board by providing advice. The Management Board was responsible for the daily management of the company.

The general meeting of shareholders (General Meeting) appointed the Management Board members. At the beginning of 2017, the Management Board consisted of three members: a CEO, CFRO a.i. and COO. Due to NN Group's acquisition of Delta Lloyd group, both NN Bank and Delta Lloyd Bank intended to merge. In view of this intended merger, a Chief Transition Officer (CTO) was added to the Management Board on 1 July 2017. The role of the CFRO was separated into two roles and the COO role ceased to exist. Since 18 July 2017, the Management Board consists of four members: a CEO, CFO, CRO and CTO.

The governance and control structure for Delta Lloyd Bank formed the basis for its conservative and sound management. It was founded on the following principles:

- A governance structure based on a Management Board, with support committees authorised to establish policies, set limits and organise checks and balances within the strategic mandate of NN Group
- An independent risk management function, responsible for implementing an adequate framework for risk and control policy, directly anchored in the Management Board via the Chief Risk Officer (CRO)
- An adequate policy framework that guides the mechanics involved in placing the organisation on an operational footing, set out in the NN Group policy framework, unless waived by NN Group
- The embedding of the policy framework, guidelines and procedures in the Three Lines of Defence control model

In order to preclude potential legal sanctions, financial losses and reputational damage, Delta Lloyd Bank's policy guidelines were regularly reviewed and adjusted to the changing situation. Each policy area has an owner, who is responsible for establishing and maintaining the specific guidelines within the policy area concerned. Attention was also paid to how they relate to existing NN Group policy in the area concerned.

Board composition

Delta Lloyd Bank aimed to have an adequate and well diversified composition of the Management Board and the Supervisory Board (Boards) in knowledge, experience and gender. The Supervisory Board assessed the composition of the Boards annually. Delta Lloyd Bank aimed at least 30% men and at least 30% women amongst the members of the Boards. In 2017, the composition of the Management Board met the aforementioned gender target as from 17 July 2017. However, as Delta Lloyd Bank needed to weigh several relevant selection criteria when composing the Supervisory Board, the composition of the Supervisory Board did not meet the aforementioned gender balance in 2017.

External auditor

Ernst & Young Accountants LLP was appointed as external auditor of Delta Lloyd Bank for the financial year 2017. The external auditor attended the meetings of the Audit and Risk Committee on 20 April and 21 November 2017.

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

Legislation and regulations

Delta Lloyd Bank adhered to the legislation and regulations by which it is governed. For Delta Lloyd Bank, this included the Dutch Civil Code, the Financial Supervision Act, the Capital Requirements Directive / Capital Requirements Regulation, Basel III, the Personal Data Protection Act, the Competitive Trading Act, the Telecommunications Act, the (Anti-)Money Laundering and (Anti-)Terrorist Financing (Prevention) Act, the Consumer Lending Act and the regulations based on this legislation.

As member of the Dutch Banking Association (*Nederlandse Vereniging van Banken*, NVB), Delta Lloyd Bank also upheld the Code of Conduct and decisions that are binding for its members, as well as the Codes of Conduct generally applicable to the banking sector, such as the Banking Code, the Code of Conduct for Financial Institutions on the Processing of Personal Data, the Code of Conduct for Consumer Lending, the Code of Conduct for Mortgage Loans and the Principles of Modern Savings Policy, 2010 (Netherlands Authority for the Financial Markets).

Banking Code

The Banking Code contains principles for Dutch banks about important matters such as control, risk management, internal audits and remuneration; it can be downloaded from the Dutch Banking Association's website (www.nvb.nl). It applies to all banks that have been granted a banking licence under the Financial Supervision Act.

On the website of the merged entity, NN Bank publishes a report 'Application of the Banking Code by Delta Lloyd Bank' regarding its compliance with this Banking Code.

Remuneration policy

Delta Lloyd Bank was well aware of the public debate about remuneration in the financial industry. NN Group's remuneration policies take into account all applicable regulations and codes, including the Banking Code. The NN Group Remuneration Framework strikes a balance between the interests of its customers, employees, shareholders and society at large, and supports the long-term objectives of the company.

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

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

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

As a subsidiary of NN Group, Delta Lloyd Bank fell within the scope of the NN Group Remuneration Framework.

Internal Code of Conduct

All individual employees of NN Group must observe the NN Group General Code of Conduct and the NN statement of Living our Values. NN Group, and therefore also Delta Lloyd Bank, expects exemplary behaviour from its entire staff, irrespective of their job function. Needless to say, effective business contacts, both within and outside NN Group, are to be based on honesty, integrity and fairness. NN Group's General Code of Conduct also includes a whistle-blower procedure. This procedure ensures anonymity when reporting irregularities, including violations of laws and regulations.

Risk management organisation

In line with NN Group, the Three Lines of Defence model, on which Delta Lloyd Bank's risk management structure and governance was based, defines three risk management levels. Each line has distinct roles, decision authorities, execution responsibilities and oversight responsibilities. This framework ensured that risk was managed in line with Delta Lloyd Bank's risk appetite as defined by the Management Board, ratified by the Supervisory Board and that Delta Lloyd Bank's risk appetite is consistent with that of NN Group.

The First Line of Defence was formed by Delta Lloyd Bank Business Management and has primary accountability for the performance of the business, operations, compliance and effective control of risks affecting Delta Lloyd Bank's business. The Second Line of Defence consisted of oversight functions with a major role for the risk management organisation and the legal and compliance function of Delta Lloyd Bank. The C(F)RO steered a functional independent risk organisation, which supported the commercial departments in their decision-making, but with also sufficient countervailing power to prevent risk concentrations and other forms of unwanted or excessive risk. During 2017, the Third Line of Defence was provided by Group Audit Delta Lloyd and offered an independent assessment of the standard of internal control with respect to Delta Lloyd Bank's business and support processes, including governance, risk management and internal controls.

Delta Lloyd Bank was exposed to various financial and non-financial risks. For a more detailed description of these risks and the way in which they are managed, reference is made to Section 3.7.1 'Risk management'.

Risk Appetite Framework

The Risk Appetite Framework consisted of the overall Delta Lloyd Bank Risk Appetite Statement (RAS), the Risk Appetite Statements for credit risk, market risk and non-financial risk derived from the overall statement, and the underlying limits framework per risk category. The overall RAS stated the degree of risk that Delta Lloyd Bank was prepared to accept in all risk categories, given its proposed activities in pursuit of its objectives.

The Risk Appetite Framework consisted of qualitative and quantitative statements as to risk preferences, risk tolerances, risk limits and risk controls. The RAS and the underlying limit frameworks were based on the annual Internal Capital and Liquidity Adequacy Assessment Processes, and on the business plan in force, including capital and funding plans. The RAS provided constraints for the business plan.

On a regular basis, Delta Lloyd Bank's risk committees monitored usage of the risk limits per risk category. The RAS was adjusted during the year, if necessary.

Within the Management Board, the CRO was responsible for drawing up an RAS proposal in close consultation with the CFO. The risk management organisation assisted the CRO with analyses of the current risk positions and risk tolerances. The Management Board and Supervisory Board approved the proposed risk appetite as part of the input for the annual business plan.

Internal capital and liquidity adequacy

In terms of capital and liquidity, the Dutch Central Bank (DNB) requires an annual internal evaluation to determine whether the capital and liquidity position and risk management is sufficient, given Delta Lloyd Bank's operations, including stress testing. This internal evaluation was performed using an Internal Capital and Liquidity Adequacy Assessment Process (ICLAAP). The ICLAAP and Supervisory Review & Evaluation Process (SREP), which was jointly conducted with NN Bank in 2017, showed that the merged bank has a robust capital and liquidity position.

Financial reporting process

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

Internal control over financial reporting is a process designed under the supervision of the CFO. It provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of Delta Lloyd Bank's assets

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that Delta Lloyd Bank's receipts and expenditures are handled only in accordance with authorisation of its management and directors

- Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of the assets that could have a material effect on Delta Lloyd Bank's financial statements

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

Loan Loss Provisioning (LLP) process

At Delta Lloyd Bank, the Loan Loss Provisioning (LLP) process or Debt Provisioning was a monthly process, carefully executed and well controlled. This process encompasses the following key phases:

- Identification: In 2017, Delta Lloyd Bank had no assets on its books that classify for Individually Significant Financial Asset (ISFA) provisioning. For all mortgage loans (also with an exposure above EUR 1 million), model provisions are calculated (IBNR provisions for performing loans or Individual Not Significant Assets (INSFA) provisions when the loan is impaired).

- Determination: whereby the preliminary amount of loan loss provisions is determined. Delta Lloyd Bank's credit risk exposure models were used to calculate the level of Incurred Loss in the portfolio. This loss is the sum of the Incurred But Not Reported (IBNR) provisions and the INSFA provisions. Within Delta Lloyd Bank, this is referred to as the portfolio Expected Loss (EL), which is determined as the multiplication of the underlying Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The PD, LGD and EAD are determined in statistical models developed by Stater.

- Approval: in which Delta Lloyd Bank's Credit Committee reviewed the figures for approval

- Reporting: in which the figures were booked in the Delta Lloyd Bank General Ledger and used for internal and external reporting (i.e. DNB)

In view of the LLP process, it is noted that as of 1 January 2018, IFRS 9 is in effect. IFRS 9 'Financial instruments' replaces IAS 39. It includes requirements for, amongst others, classification of financial assets. The recognition and measurement of impairment under IFRS 9 is forward-looking. For further details, reference is made to Section 3.6 'Accounting policies' in the Consolidated annual accounts.

Non-financial statement

Delta Lloyd Bank was exempt from the requirements of the Decree Disclosure of Non-financial Information (*Besluit bekendmaking niet-financiële informatie)* and the Decree Disclosure of Diversity Information (*Besluit bekendmaking diversiteitsbeleid)*. Delta Lloyd Bank was a direct subsidiary of NN Group, which includes a non-financial and diversity statement in its Report of the Management Board for NN Group as a whole, pursuant to the Decrees.

Conclusions 2017 and outlook for 2018

In 2017, we continued to help our customers to be well prepared for the important moments in their financial lives. With new tools, services and improved processes, a solid organisation and our employees, we have been continuously working on improving the customer experience.

2017 also was the year in which the preparations for the merger with NN Bank started. Obtaining the declaration of no objection from DNB, choosing the target platforms for the combined bank, the Request for Advice and finishing the integration and restructuring plans were important milestones for the future bank. For Delta Lloyd Bank, 2017 was its last year as a separate legal entity.

After the legal merger with NN Bank, which was effectuated on 1 January 2018, the coming year will be the year of the operational integration of NN Bank. 2018 will be the first year in which the combined bank will serve its customers as one bank. The combined bank will focus even more on personal, relevant and digital customer experiences. Of course, using the strengths of both organisations.

The Hague, 24 April 2018

The Management Board of NN Bank

Erik Muetstege

Sandra van Eijk

Monique Hemerijck

Marcel Zuidam

2 REPORT OF THE SUPERVISORY BOARD

The Supervisory Board is very pleased to present the Annual Report of Delta Lloyd Bank, including the financial statements for 2017.

Supervisory Board and Audit & Risk Committee (A&RC) meetings

In 2017, the Supervisory Board met five times, while the A&RC met three times.

The Supervisory Board discussed the Annual Report 2016, capital & liability, capital management, balance sheet management, budgets and forecasts, and the consequences of NN Group's takeover of Delta Lloyd group, as well as the integration of the banks. The Supervisory Board also reviewed commercial developments, including customer satisfaction.

For the Supervisory Board, the integration of Delta Lloyd Bank with NN Bank was of paramount importance during this year. Against this background, an extraordinary Supervisory Board meeting was held in order to discuss the progress made with the integration process on 30 August 2017. During that meeting, the Supervisory Board was informed about NN Bank's ICLAAP, recovery, funding, liquidity and capital plans and its targets for 2018.

The chair of the Supervisory Board met regularly with the chair of the Management Board to discuss items such as the quarterly, half-year and annual financial statements, risk management, operational matters, financial objectives, legal & compliance issues, audit reports, customer and employee satisfaction in view of the aforementioned takeover.

Audit & Risk Committee

In 2017, the A&RC held three meetings, during which the Annual Report 2016, the bank's capital plan, asset & liability strategy, the bank's financial performance, and regulatory matters were reviewed. The board also discussed reports to and from external regulators.

Risk Management

The financial risk and non-financial risk reports were discussed in detail at each meeting of the A&RC and the Supervisory Board. Other items discussed in detail in 2017 were the auditor reports, management letters, the Risk Appetite Statement, the Systematic Integrity Risk Analysis, IFRS 9, the remediation plan, ICLAAP and SREP.

Functioning of the Management Board

In the past years, a separate internal Supervisory-Board-only deliberation was held, in addition to the annual Supervisory Board internal assessment. During that meeting, individual Management Board members' KPIs, as well as the remuneration of the ten highest paid managers of the bank, were discussed. Against the background of the movements within the Supervisory and Management Boards during 2017 and the planned merger of both banks on 1 January 2018, the Boards decided to refrain in 2017 from the aforementioned internal Supervisory Board meeting and assessment.

Remuneration Supervisory Board

The total annual remuneration fee for the two external members of the Supervisory Board was EUR 58,000. The Management Board members of Delta Lloyd group and NN Group received no additional remuneration for their membership on Delta Lloyd Bank's Supervisory Board.

Annual Report, Banking Code and dividend

The Management Board prepared the Annual Report, while Ernst & Young Accountants LLP audited the financial statements and issued an unqualified auditor's report, which can be found on page 103 of this report.

The Supervisory Board discussed the financial statements with the responsible Chief Financial and Risk Officers, their teams and the external auditor. The Supervisory Board then discussed the Annual Report with the Management Board. Based on these discussions, the Supervisory Board is convinced that this report meets all governance and transparency regulations and requirements. The content of this report provides the Supervisory Board with a good basis to report on and account for its supervisory activities.

The Annual Report 2017 will be submitted for adoption at the 2018 General Meeting of Shareholders of NN Bank. Delta Lloyd Bank will not propose a dividend over 2017.

Appreciation for the Management Board and Delta Lloyd Bank employees

The Supervisory Board would like to thank the members of the Management Board, the management team and all of the bank's employees for their dedication, expertise and continued hard work in 2017.

The Supervisory Board is very grateful to those who have left the Management Board and would like to thank them for their contribution to Delta Lloyd Bank.

The Hague, 24 April 2018

The Supervisory Board of NN Bank

3 CONSOLIDATED FINANCIAL STATEMENTS 2017

General information

In 2017, Delta Lloyd Bank was a public limited liability company incorporated and headquartered in the Netherlands. Its registered address was Omval 300, 1096 HP Amsterdam. Delta Lloyd Bank provides retail banking and mortgage activities in the Netherlands.

The parent of Delta Lloyd Bank is NN Group, a public limited liability company incorporated under the laws of the Netherlands.

These financial statements have been authorised for issue by the Management Board of NN Bank, following their approval by the Supervisory Board of NN Bank on 24 April 2018.

Delta Lloyd Bank's Commercial Register number 33191189

NN Bank's Commercial Register number 52605884

Going concern

NN Bank entered into a legal merger with Delta Lloyd Bank. As a result of this merger, Delta Lloyd Bank ceased to exist as a separate legal entity per 1 January 2018. As of this date, Delta Lloyd Bank is a brand of NN Bank. The company's activities will be integrated and continued in NN Bank. With the continuation of the Delta Lloyd Bank's activities in NN Bank, these financial statements have been prepared on a going concern basis.

3.1 Consolidated income statement

Consolidated income statement

In thousands of euros		2017	2016
Interest income	3	96,779	112,693
Interest expense	3	-59,758	-72,914
Net interest income	3	37,021	39,780
Commission income	4	31,129	29,623
Commission expense	4	-4,373	-4,385
Net commission income	4	26,756	25,238
Net trading income	5	-	28
Result from derivatives and hedge accounting	6	-660	-5,043
Realised gains and losses on investments classified as available for sale	7	-	85
Impairment of investments classified as available for sale	7	-	-227
Result from financial transactions		-660	-5,157
Other income	8	721	25,686
Total income		63,838	85,546
Staff costs	9	26,278	27,639
Other administrative expenses	9	38,929	37,723
Staff costs and other administrative expenses	9	65,207	65,362
Depreciation property and equipment	10	50	50
Impairment of loans and receivables	11	-302	825
Total expenses		64,955	66,236
Result before tax		**-1,117**	**19,310**
Income tax	24	303	-4,835
Net result		**-814**	**14,474**
Attributable to:			
Delta Lloyd Bank shareholder		-814	14,474

The notes (in numerical order) include the accounting policies and are an integral part of these financial statements. The numbers refer to the relevant subsection in section 3.7 'Notes to the consolidated financial statements'.

3.2 Consolidated statement of financial position

Consolidated statement of financial position

In thousands of euros		31 December 2017	31 December 2016
Cash and balances with central banks	12	396,196	386,297
Due from other banks	13	118,090	127,138
Derivatives	14	6,271	7,228
Financial assets available for sale	15	269,308	349,225
Loans and receivables	16	4,546,526	4,614,170
Property and equipment	17	225	275
Current tax assets	24	728	-
Other assets	18	2,358	2,047
Prepayments and accrued income	19	3,606	4,372
Total assets		**5,343,309**	**5,490,752**
Share capital	20	35,000	35,000
Share premium	20	281,667	281,667
Revaluation reserves	20	-995	-1,937
Other reserves	20	-118,230	-132,698
Equity compensation plan	20	-	217
Retained earnings	20	-814	14,474
Total shareholders' funds	20	196,629	196,724
Amounts owed to banks	21	130,021	965
Derivatives	14	20,071	36,806
Funds entrusted	22	3,565,917	3,609,052
Securitised mortgage loan notes	23	1,349,533	1,573,752
Current tax liabilities	24	-	1
Deferred tax liabilities	24	24,592	32,920
Other liabilities	25	26,717	13,723
Accruals and deferred income	26	12,797	14,692
Provisions	27	5,032	117
Subordinated loans	28	12,000	12,000
Total liabilities		5,146,680	5,294,028
Total shareholders' funds and liabilities		**5,343,309**	**5,490,752**

The notes (in numerical order) include the accounting policies and are an integral part of these financial statements. The numbers refer to the relevant subsection in section 3.7 'Notes to the consolidated financial statements'.

3.3 Consolidated statement of comprehensive income

Consolidated statement of comprehensive income

In thousands of euros	2017	2016
Net result	-814	14,474
Changes in value of financial instruments available for sale	1,256	331
Income tax relating to items that may be reclassified	-314	-83
Total items that may be reclassified subsequently to income statement	942	248
Total amount recognised directly in equity	942	248
Total comprehensive income	**128**	**14,722**

* Realised gains/losses on revaluations of financial instruments available for sale, impairment losses and reversal of impairment losses transferred to income statement are part of changes in value of financial instruments available for sale. See section 3.7.15 'Financial assets available for sale'.

3.4 Consolidated statement of changes in equity

Consolidated statement of changes in equity

In thousands of euros	Ordinary share capital	Share premium	Revaluation reserves	Other reserves	Equity compen-sation plan	Retained earnings	Total equity
At 1 January 2016	35,000	244,167	-2,185	-135,787	302	3,093	144,591
Other comprehensive income	-	-	248	-	-	-	248
Result for the period	-	-	-	-	-	14,474	14,474
Changes in share premium	-	37,500	-	-	-	-	37,500
Change in conditional shares granted	-	-	-	-	-85	-	-85
Allocation to other reserves	-	-	-	3,093	-	-3,093	-
Other	-	-	-	-4	-	-	-4
At 31 December 2016	**35,000**	**281,667**	**-1,937**	**-132,698**	**217**	**14,474**	**196,724**
At 1 January 2017	35,000	281,667	-1,937	-132,698	217	14,474	196,724
Other comprehensive income	-	-	942	-	-	-	942
Result for the period	-	-	-	-	-	-814	-814
Changes in share premium	-	-	-	-	-	-	-
Change in conditional shares granted	-	-	-	-	-217	-	-217
Allocation to other reserves	-	-	-	14,474	-	-14,474	-
Other	-	-	-	-6	-	-	-6
At 31 December 2017	**35,000**	**281,667**	**-995**	**-118,230**	**-**	**-814**	**196,629**

3.5 Consolidated cash flow statement

Consolidated cash flow statement

In thousands of euros		2017	2016
Net result		-814	14,474
Adjustments for:			
Income tax	24	-303	4,835
Depreciation owner-occupied property and amortisation intangible assets	10	50	50
Amortisation of premium on mortgages and debt securities and amortisation of hedged items	3, 6	46,447	54,018
Impairments of financial investments	7	-	227
Impairments of loans and receivables	11	-302	825
Net unrealised fair value movements on financial assets	6	-165	429
Interest on impaired assets	3	-	-40
Change options granted	20	-217	-85
Cash generating profit/(loss) of the year		44,696	74,733
Cash flow from operating activities			
Net (decrease)/increase in derivative financial instruments	14	642	-548
Net (increase)/decrease in loans and receivables	16	12,295	-306,844
Net (decrease)/increase in funds entrusted	22	-43,135	-307,937
Net (increase)/decrease in due from other banks and amounts owed to banks (excluding demand deposits)	13	-305	33,484
Net (increase)/decrease in other operating assets and liabilities		17,443	3,551
Income taxes (paid)/received	24	-9,066	-10,933
Net cash flow from operating activities		22,569	-514,495
Cash flow from investing activities			
Receipts from disposal and redemption of financial assets available for sale		74,121	129,322
Purchases of financial assets available for sale		-	-94,666
Net cash flow from investing activities		74,121	34,656
Cash flow from financing activities			
Changes in share premium	20	-	37,500
Proceeds from borrowings - securitised mortgage loan notes	23	-	500,000
Repayments of borrowings - securitised mortgage loan notes	23	-225,200	-189,437
Repayments of borrowings - subordinated loans	28	-	-30,000
Net cash flow from financing activities		-225,200	318,063
Net (decrease)/increase in cash and cash equivalents		**-128,510**	**-161,775**
Statement of changes in cash and cash equivalents			
Cash and cash equivalents at beginning of year		468,469	630,244
Net (decrease)/increase in cash and cash equivalents		-128,510	-161,775
Total cash and cash equivalents at 31 December		**339,960**	**468,469**
Cash and cash equivalents			
Cash and balances with central banks	12	396,196	386,297
Due from other banks: demand deposits	13	73,784	83,137
Amounts owed to banks: demand deposits	21	-130,021	-965
Total cash and cash equivalents at 31 December		**339,960**	**468,469**

Further details on cash flow from operating activities		
Interest paid	61,653	74,717
Interest received	97,546	113,227

The notes (in numerical order) include the accounting policies and are an integral part of these financial statements. The numbers refer to the relevant subsection in section 3.7 'Notes to the consolidated financial statements'.

3.6 Accounting policies

(A) Basis of presentation

The notes to the Consolidated financial statements are an integral part of these financial statements.

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

Delta Lloyd Bank prepares its Consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) endorsed by the European Union (IFRS-EU), and with Part 9 of Book 2 of the Dutch Civil Code. Delta Lloyd Bank has used the EU carve-out on hedge accounting since 1 May 2015 as well as reversed amortisation.

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

Going concern

NN Bank entered into a legal merger with Delta Lloyd Bank. As a result of this merger, Delta Lloyd Bank ceased to exist as a separate legal entity per 1 January 2018. As of this date, Delta Lloyd Bank is a brand of NN Bank. The company's activities will be integrated and continued in NN Bank. With the continuation of the Delta Lloyd Bank's activities in NN Bank, these financial statements have been prepared on a going concern basis.

Upcoming changes in IFRS-EU

In 2017, no changes to IFRS-EU became effective that had an impact on Delta Lloyd Bank's Consolidated annual accounts. Upcoming changes in IFRS-EU that were issued by the IASB but are effective after 2017 and are relevant to Delta Lloyd Bank mainly relate to IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'.

IFRS 9 Financial Instruments (IASB effective date 1 January 2018)

IFRS 9 replaces the existing standard (IAS 39) for the classification and measurement of financial assets, impairments of financial assets measured at amortised cost or at fair value through other comprehensive income, and micro-hedge accounting. This standard is endorsed by the European Union.

NN Bank entered into a legal merger with Delta Lloyd Bank. As a result of this merger, Delta Lloyd Bank ceased to exist as a separate legal entity per 1 January 2018. As of this date, Delta Lloyd Bank is a brand of NN Bank. The company's activities will be integrated into NN Bank and IFRS 9 will be applied within NN Bank going forward. The impact will be assessed at NN Bank Level. Therefore, no IFRS 9 information is disclosed in Delta Lloyd Bank's 2017 Annual Report.

IFRS 15 'Revenue from Contracts with Customers' (IASB effective date 1 January 2018)

IFRS 15 'Revenue from Contracts with Customers' is effective as of 1 January 2018. IFRS 15 provides more specific guidance on recognising revenue other than arising from financial instruments.

NN Bank entered into a legal merger with Delta Lloyd Bank. As a result of this merger, Delta Lloyd Bank ceased to exist as a separate legal entity per 1 January 2018. As of this date, Delta Lloyd Bank is a brand of NN Bank. The company's activities will be integrated into NN Bank and IFRS 15 will be applied within NN Bank going forward. The impact will be assessed at NN Bank Level. Therefore, no IFRS 15 information is disclosed in Delta Lloyd Bank's 2017 Annual Report.

Other

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

IAS 1 'Presentation of Financial Statements' requires a distinction between current and non-current assets and liabilities in the Consolidated statement of financial position, unless a liquidity-based presentation provides better insight. For banks, close control over liquidity, asset and liability matching, and highly regulated capital and solvency positions are considered to be more relevant. As such, no distinction is made between current and non-current for bank-related items. For further details of their risk management, see section 3.7.1 'Risk management'.

The Consolidated cash flow statement is prepared according to the indirect method. It distinguishes between cash flows from operating, investing and financing activities.

(B) Use of assumptions and estimates

Preparing financial statements requires Delta Lloyd Bank to make estimates and assumptions that affect items reported in the Consolidated statement of financial position and Income statement and the disclosure of contingent assets and liabilities at the date of the financial statements. In particular, this concerns assumptions and estimates used to determine the fair value of assets and liabilities (see section 3.7.31 'Fair value of assets and liabilities') and to establish impairment (e.g. regarding debt securities and loans and receivables). These assumptions and estimates are based on management's best knowledge of current facts, circumstances and, to some extent, future events and actions. Important assumptions made are set out in the relevant note. Actual results may ultimately differ, possibly significantly, from these estimates.

(C) Consolidation principles

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

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

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

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

Structured entities

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

Delta Lloyd Bank has been involved in the design of certain mortgage-backed securitisations, in which part of Delta Lloyd's mortgage portfolio is pooled and transferred to special purpose entities. Delta Lloyd Bank does not directly or indirectly hold shares in these entities. Delta Lloyd Bank entered into interest rate caps with third parties to hedge the interest payment flows for the special purpose entities. Delta Lloyd Bank also fully services the securitised mortgages. Delta Lloyd Bank can therefore influence the returns (e.g. defaults of the mortgage portfolio). Part of the credit risk is transferred to the note holders, but the expected credit losses will be fully absorbed by the reserve built up in the special purpose entities of which the residual amount accrues to Delta Lloyd Bank. Consequently, Delta Lloyd Bank remains exposed to the majority of the residual risks.

Delta Lloyd Bank concluded, based on the assessment, that it has control over these special purpose entities and needs to consolidate them in the financial statements.

As part of its investment activities, Delta Lloyd Bank also invests in structured entities established by other parties, but none of these investments meet the requirement for Delta Lloyd Bank to have control. See section 3.7.15 'Financial assets available for sale' for details regarding these securities in unconsolidated structured entities.

(D) Foreign currency translation

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

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

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

(E) Segment information

As Delta Lloyd Bank has no operations other than retail banking, only geographical segment information is provided. See section 3.7.1 'Risk Management'.

(F) Product classification

Financial assets and liabilities

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

The category FVTPL has two sub-categories - those that meet the definition as being 'held for trading' (HFT) and those Delta Lloyd Bank chooses to designate as FVTPL (referred to as 'other than trading' or OTT). Derivatives are classified in the HFT category.

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

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

(G) Employee benefits

General

All Delta Lloyd Bank staff are employed by Delta Lloyd Services B.V. and have the same compensation and benefits package as other Delta Lloyd staff. Delta Lloyd Services B.V. allocates employee-related expenditures to Delta Lloyd Bank according to a calculation formula. All direct staff costs are charged monthly, based on the actual figures. All provisions may be settled on the basis of subsequent costing. The provisions for employee benefits (such as pension obligations and leave) are recognised on the statement of financial position of Delta Lloyd Services B.V. Delta Lloyd Bank recognises expenses equal to its contribution due for the period in its financial statements.

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

Defined contribution plan

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

Share-based and performance-related incentive plans

As from 1 January 2017, Delta Lloyd Bank had two equity-settled, share-based and performance-related incentive plans (Variable Incentive Plan for identified staff and Variable Incentive Plan for other managers). Due to NN Group's takeover of Delta Lloyd, both plans ended by 31 March 2017. The remainder of the plans amounted to EUR 0.2 million and is accounted for as an other liability. The vesting of the remaining grants is subject to set performance criteria and continued employment at Delta Lloyd on the vesting date. If employment is terminated, the grants lapse immediately, except in a situation in which the employee leaves as a result of early retirement, disability, death or because the entity for which the employee works is no longer part of Delta Lloyd. In this last case, the grants vest immediately and become exercisable for a period of one year, after which they lapse.

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

3.7 Notes to the Consolidated financial statements

3.7.1 Risk management

Introduction

The Risk and Capital Management sections set out information concerning risk management, capital management and liquidity and funding as follows:

Risk management**:** This section addresses such matters as Delta Lloyd Bank's risk approach, appetite and profile, providing a comprehensive description of credit risk, market risk, operational risk and strategic risk. It also describes in detail the current liquidity risk management practices and funding strategy.

Capital management**:** This section provides an overview of capital management and capital adequacy at Delta Lloyd Bank.

Basel framework

The Basel framework uses a 'three pillar' concept. Pillar 1 details the minimum capital requirements, Pillar 2 relates to internal capital adequacy measurement and supervisory review and Pillar 3 relates to disclosures on risk and capital to encourage market discipline. The Risk and Capital Management sections describe how the Basel framework was implemented at Delta Lloyd Bank.

International regulators have adopted new guidelines, called the Basel III guidelines, for determining capital, balance sheet and liquidity ratios. These guidelines came into effect on 1 January 2014, imposing stricter capital and solvency requirements as well as new leverage and liquidity requirements. The final versions of the Capital Requirements Regulation (CRR) and Capital Requirement Directive IV (CRD IV) were published in the Official Journal of the European Union in June 2013, meaning the outlines of Basel III legislation have now been finalised. Certain aspects of the regulations will be worked out in further detail in the coming years.

Risk developments and outlook

The low interest rate environment challenged Delta Lloyd Bank's business model. Also, increased competition in the mortgage market and the rise of new competitors put pressure on margins.

Regulations are constantly being updated and new regulations are being introduced at global, European and national levels. These new regulations include:

- The Basel III, Capital Requirements Directive/Regulation (CRD IV/CRR)
- International Financial Reporting Standards (IFRS)
- The European Market Infrastructure Regulation (EMIR)
- The Foreign Account Tax Compliance Act (FATCA)
- The Common Reporting Standard (CRS)
- The Deposit Guarantee Schemes Directive (DGSD)
- The Bank Recovery and Resolution Directive (BRRD)
- Data protection regulations (GDPR)

Complying with regulatory and supervisory developments and responding to inquiries from supervisory authorities require a significant amount of resources and could have an impact on Delta Lloyd Bank's business.

Technological developments are reshaping the value chain and client interaction. Developments in financial technology and innovations in areas such as payment service providers, portal aggregators and automated advisory, could also impact Delta Lloyd Bank's business.

The continual increase in online services exposed Delta Lloyd Bank to cyber threats that target consumer transactions and high-value transactions in the financial system.

Risk management

The Management Board was accountable for the design and implementation of an effective framework for risk management and internal control. The main objective of this framework was to protect Delta Lloyd Bank's stakeholders, including its shareholder, customers and employees, from events that may prevent the ongoing achievement of its financial goals.

Delta Lloyd Bank managed risks under the supervision of, and in accordance with, the principles and guidelines adopted by NN Group. However, as Delta Lloyd Bank was a separately regulated subsidiary, its Management Board must determine its own policies. It is essential that practices at group level are not contrary to statutory or administrative law or prudential requirements that apply to Delta Lloyd Bank as a regulated subsidiary.

Risk management at Delta Lloyd Bank involved identifying and measuring risks, setting appropriate risk limits, and managing and monitoring identified risks. The basic principles and methods applied have been documented and periodically updated to ensure they are in line with the latest regulatory and technical developments.

Internal control

Delta Lloyd Bank maintained an internal control framework, which provided reasonable assurance that key controls in primary and supporting business processed and the risk management cycle were effective and were being performed in accordance with policies and procedures.

At an organisational level, Delta Lloyd Bank's Risk & Control department carried out the control testing programme, and NN Group Risk conducts an independent review. NN Group independently tests key controls in the financial reporting process and general IT controls and the external auditor reviews them.

At a departmental level, senior employees tested adherence to operational procedures and instructions. They then reported to management and the Risk Control function. With the help of the Risk Control function, the management of each department used risk-control self-assessments to assess the effectiveness of the operational controls in their respective departments.

Three Lines of Defence

The risk management framework comprises Three Lines of Defence. This principle provides a clear model to structure roles, responsibilities and accountabilities for risk ownership, oversight and independent assurance.

First Line of Defence: risk owner

Risk must be the responsibility of the person best positioned to manage it. With a few exceptions, risk owners in the First Line of Defence are managers in the business and support units. Risk owners are responsible for identifying, assessing, managing and reporting on risks and for the structure, existence and effectiveness of controls. Risk owners in the First Line are supported by risk professionals, specialising in areas such as credit risk, interest risk, liquidity risk and operational risk, including internal control, information security, business continuity and fraud management.

Second Line of Defence: risk oversight

The Second Line of Defence facilitates and monitors the effectiveness of risk management and internal control systems in the First Line. It oversees and reports on residual risks and advises the first line. The Risk Control function operates independently of the First Line and reports to the Management Board. The responsibilities and mandate of the risk function are laid down in the risk management charter.

The independent compliance function monitors compliance with laws and regulations, rules, prescribed practices and ethical standards. The compliance function reports to the Management Board. The responsibilities and mandate of the compliance function are laid down in the compliance charter.

Third Line of Defence: independent assurance

The Third Line of Defence provides the Management Board with a fully independent opinion on the risk management process. It consisted of supervisory bodies tasked with monitoring and supervising the First and Second Lines. Duties included an internal audit by Delta Lloyd Group Audit, as well as examinations and audits by the external auditor and regulatory authorities. The internal bodies entrusted with these duties are the Supervisory Board and the Audit & Risk Committee. External regulators include the Netherlands Authority for Financial Markets (*Autoriteit Financiële Markten*, AFM) and the Dutch Central Bank (DNB).

Risk governance and processes

The enterprise risk management (ERM) framework was supplemented by a comprehensive set of formal policies and limits for the management and control of all strategic, financial and operational risk, including compliance and financial reporting risk.

The Management Board and management were actively engaged in risk management and control. The risk framework was mature and has been implemented with care. Fully qualified employees were involved in risk management in the First, Second and Third Line of Defence.

The ERM framework allocated responsibility for each risk and risk policy to First and Second Line individuals and functions and one of three specialised risk committees.

The key risks were set out in formal terms of reference and linked to the meeting agendas of the risk committees in question. There was regular, comprehensive reporting on the risk universe, and the status, materiality and effectiveness of management were assessed, reviewed and challenged.

Three risk committees have been set up at Delta Lloyd Bank: the Credit Risk Committee (KRECO), the Asset and Liability Committee (ALCO) and the Operational Risk Committee (ORC). The first committee convened bi-weekly, the second committee convened weekly and the third committee convened at least three times a year. The risk committees included members of the Management Board, First Line risk owners and Second Line risk specialists. The purpose of the committees was to provide an in-depth analysis of potential risks and prepare the Management Board for decision-making on management actions.

Formal escalation criteria have been put in place so that significant risk issues and/or limit breaches were raised and triggered crisis management plans, such as the recovery plan.

Detailed risk reports were prepared every week, month and/or quarter. An overall risk report was drawn up every quarter. This report assessed and discussed threats to the realisation of business objectives as an integrated whole. It used a residual heat map that supported the iterative reassessment of all key risks and risk mitigation progress. The quarterly risk report was submitted to the Supervisory Board and the Group Risk Management.

The responsible Audit department manager reported directly to the chair of the Management Board and the Audit & Risk Committee each quarter. The observations and findings of the internal audit function and the external auditor were meticulously acted upon and monitored.

Within this ERM cycle, and additionally through the strategic and business planning process, new and/or emerging risks were identified, captured and addressed.

Risk appetite

Delta Lloyd Bank aimed to maintain a limited overall risk profile. The risk appetite process was carried out at least once a year to determine the amount and type of risk that the organisation was willing to tolerate or actively accept in order to meet strategic objectives. These risk appetite limits formed the basis of the framework in which risks were managed.

The risk appetite can be summarised as follows:

Risk appetite

Risk category	Risk appetite
Strategic	Strategic risk results from decisions relating to Delta Lloyd's strategy. Delta Lloyd Bank frequently assesses its strategic risk.
Financial	As a regular retail bank with mortgage and savings products, Delta Lloyd Bank has liquidity and interest rate risks. The appetite for these risks is limited, resulting in a well-positioned liquidity buffer and active interest rate management risk. Averse to equity and property risks. Delta Lloyd Bank is cautious with credit risk, resulting in a diversified mix of state-guaranteed (NHG) and non-NHG mortgages.
Operational	Minimal appetite for all safety risks 'as low as reasonably practicable'. Cautious for other operational risk types, such as process failures.
Compliance	There is a minimal appetite for compliance risk. Full compliance and high ethical standards form the basis of our licence to operate.
Reporting	Delta Lloyd Bank is cautious with reporting risk and pursues reasonable assurances.

The risk appetite for each type of risk was detailed in quantitative metrics for target outcome and limits for appetite and tolerance, for example:

- Capital ratios (common equity Tier 1, total capital)
- Credit risk (loan-to-market value)
- Liquidity ratios (loan-to-deposit, liquidity coverage ratio and net stable funding ratio)
- Interest risk (capital at risk, earnings at risk)
- Operational loss figures per risk event type

Recovery plan

Delta Lloyd Bank maintained a recovery plan to address potential liquidity and capital contingencies. The recovery plan defined a framework of early warning indicators and limits that trigger the Crisis Management Team. As part of its recovery plan, the bank periodically analysed potential acute and longer-term stress scenarios that could affect its liquidity or capital position. The implemented measures, early warning indicators and limits were determined according to these scenarios. The scenarios used for stress testing capital related to rising arrears, falling house prices, interest rate shocks, system-related operational risks and the outflow of savings.

Risk culture

Delta Lloyd Bank maintained an open and consistent risk culture in order to have a full insight into the risks. Everyone in the organisation knew his/her responsibilities; risk management and internal control was not just the responsibility of risk specialists and control staff alone. Delta Lloyd Bank's risk culture was shaped by our risk policy, setting good examples, communication and training employees on their responsibilities in terms of risk management. Risk awareness was included in the HR cycle as a key competence for all employees.

Risk universe

The risk universe is the full range of risks that could positively or negatively affect the bank's ability to achieve its long-term objectives. Delta Lloyd Bank identified five main categories of risk, introduced below and discussed in detail later in this section.

- Strategic risk is defined as the risk to current and future earnings or capital arising from adverse business decisions, improper implementation of decisions or lack of response to changes in customer demand and the industry. Strategic risk includes the risk of missing targets as a result of Delta Lloyd Bank departments not responding or not responding adequately to changes in the business environment.
- Financial risk concerns the uncertainty of a return and the potential for monetary loss. Financial risk includes credit risk, market risk, interest rate risk, currency risk and liquidity risk.
- Operational risk is the risk of losses that may occur due to inadequate or malfunctioning internal processes or systems, human error, criminal behaviour or external events. Operational losses may have a direct impact (i.e. give rise to a quantified economic or financial loss) or an indirect impact (i.e. lower sales, opportunity costs or productivity losses that will unfold in the future but may be hard to establish accurately). Operational risks relate to areas such as integrity and fraud, crime prevention, human resources management, information and communications technology, information security (including the risk posed by innovative multimedia), business continuity management, physical security and outsourcing.
- Compliance risk is the risk of not complying with laws, regulations and internal policies and ethical standards. This is a specific category of operational risk.
- Financial reporting risk is the risk that the financial statements of Delta Lloyd Bank contain a material error. This is a specific category of operational risk.

(a) Strategic risk

Strategic risk is the risk that current and future earnings and capital deviate from expectations because of adverse business decisions, improper implementation of strategic decisions or lack of response to changes in customer demand or industry developments.

Delta Lloyd's 'Closer to the customer' strategy focused on customer satisfaction and retention, technology, operational efficiency and a capital-light business model to create value for its stakeholders. Delta Lloyd Bank focused on organic growth, increased distribution capacity and improve efficiency by streamlining products, systems and processes.

Delta Lloyd Bank served virtually all of Delta Lloyd's mortgage portfolios in the Netherlands as well as the mortgage portfolios of several external customers. Delta Lloyd Bank received a fee for these services, and ran the risk that this fee is lower than the actual costs incurred. In addition, Delta Lloyd Bank had its own mortgage and loan portfolio and offered wealth products (e.g. savings accounts and banking annuities) under the Delta Lloyd Bank brand (via independent financial advisors) and OHRA Bank (via the internet and telephone). Organic growth and increased distribution capacity depended on several factors, such as the strength of the Delta Lloyd and OHRA brands, the appeal of bank products in a traditionally insurance-oriented value chain and the cooperation between entities that were part of Delta Lloyd.

Over the past few years, Delta Lloyd Bank developed products and services in response to changes in the regulatory environment and consumer needs.

Providing a modern online service was a key priority for Delta Lloyd Bank. Simplifying and streamlining business processes and increasing automation translated into better scalability, lower transaction costs and fewer operational risks.

Delta Lloyd Bank's strategy to only be present in the Netherlands with retail (NHG) mortgages and savings products led to a concentration risk at a strategic level. As such, Delta Lloyd Bank often conducted market analyses in order to monitor this risk.

Due to NN Group's take-over of Delta Lloyd group in 2017, the plan was initiated for the merger of Delta Lloyd Bank and NN Bank. With this merger, a retail bank with a balance sheet size of over EUR 20 billion is created. The new organisation can leverage on economies of scale and mitigate its strategic risks. The merger took place on 1 January 2018, and Delta Lloyd Bank ceased to exist as a separate legal entity.

(b) Financial risk

Financial risk – credit risk

The following sections discuss the various financial risks. In capital terms, credit risk is the largest. Credit risk is the potential of a counterparty failing to meet its obligations in accordance with the agreed terms. Risk management at Delta Lloyd Bank aimed to maximise the bank's risk-adjusted rate of return by keeping its credit risk exposure within acceptable parameters.

Delta Lloyd Bank offered loans and mortgages in the Netherlands, mainly to retail customers. For credit risk purposes, a distinction was made between two portfolios: 1) mortgages (with a carrying value of EUR 4.5 billion at year-end 2017) and 2) consumer and other loans (with a carrying value of EUR 38.0 million at year-end 2017). When determining provisions for positions in arrears, Delta Lloyd Bank distinguished between different loan portfolios. The provisions for the customised finance portfolio were made on an individual debtor basis, whereas the provisions for the retail portfolios, which typically comprise a large number of smaller loans, were based on the size of the arrears, the default risks and the expected loss on defaults. See section 3.7.16 'Loans and receivables' for further details.

Credit risk management

Delta Lloyd Bank managed the credit risks initially by securing collateral in the form of real estate, capital sum insurance policies and savings. These risks were monitored and controlled by means of:

- Strict and uniform acceptance guidelines by type of loan
- A credit scoring model
- Collateral criteria and guarantees
- Indexation methods (for mortgages)
- A control cycle including functional separation and powers of attorney
- Adequate preventive care and arrears management and forbearance policies

Implementation and assessment were the responsibility of specific officers and credit and other committees (see section 'Three Lines of Defence'). Loans in arrears were assessed and discussed more frequently.

Credit risk strategy

The housing market made a further recovery in 2017. See section 3.7.16 'Loans and receivables' for further details. Despite ongoing adverse conditions, losses so far have been limited (<2bps). This is partly because the National Mortgage Guarantee (NHG) largely guarantees most of the mortgage portfolio and partly because customers can still fall back on substantial other assets (e.g. savings and investments). Delta Lloyd Bank was aware of how dependent the mortgage portfolio was on the state of the wider economy and the housing market, and as such it took measures in previous years to limit the negative effects of these factors.

Credit risk mitigation

The credit risk profile for Delta Lloyd Bank's retail portfolio was limited. A substantial part of the loan portfolio was covered by third-party guarantees. The most important guarantor was the Homeownership Guarantee Fund (*Stichting Waarborgfonds Eigen Woning*, WEW), which provides the national mortgage guarantee under strict conditions for the Dutch mortgage market. The WEW acts as guarantor for the repayment of the borrowed mortgage amount to the lender. In 2017, more than 60% of the mortgage portfolio of Delta Lloyd Bank was NHG-guaranteed. The value of the NHG portfolio is EUR 2,437.9 million at year-end 2017 (EUR 2,592.2 million at year-end 2016). The NHG mortgage portfolio was secured on an annuity basis. Annuity repayments decreased the guarantee value of the existing NHG portfolio but due to transfers of mortgages to Delta Lloyd Bank, the guarantee value of the NHG portfolio decreased to EUR 2,071.1 million at year-end 2017 (EUR 2,312.9 million at year-end 2016).

Strict preventive care and arrears management and a forbearance policy also resulted in active credit risk mitigation.

Counterparty credit risk

Counterparty credit risk stems from transactions (such as interest rate derivatives) that are entered into with professional internal and external counterparties. Delta Lloyd Bank's policy was that derivatives are generally only used as a hedging instrument. The credit risk on derivatives transactions arises from the difference between the value of derivatives and the related margin requirement.

The collateral position was monitored on a daily basis. Delta Lloyd Bank's Treasury department was the only department at the bank that originated these type of transactions. The counterparty's credit worthiness was investigated or ascertained from the rating before the transactions were concluded. In view of the complexity of such transactions, Delta Lloyd Bank also assessed the required legal documentation before entering into such transactions. Key documents included the ISDA Master and Schedule and the Credit Support Annex, which described the credit risk mitigation process.

Short-term Treasury deposits and currency transactions also involved a limited counterparty risk. Treasury was permitted to place surplus liquidity in the money market (as an alternative to the account at the DNB). The counterparties have been approved in close consultation with Delta Lloyd Group Treasury. The same applied to currency transactions. The limits for the short-term deposits and the currency transactions were set once a year. The ALCO monitored how the portfolios developed.

Delta Lloyd Bank did not have a credit rating from any of the ratings agencies. As such, there could not be a credit downgrade, so collateral always met according to standing agreements. Given that collateral was always settled in cash, there was no relationship between the credit worthiness of counterparties and the posted collateral. Consequently, Delta Lloyd Bank was not exposed to 'wrong-way' risk (wrong-way risk is the risk that exposure on a counterpart is adversely correlated to the creditworthiness of the specific counterpart).

Delta Lloyd Bank set strict exposure limits for each counterparty. Although there was no process that allocates capital per counterparty, creditworthiness was considered before entering into transactions.

Credit risk exposure

The table below shows the exposure to credit risk taking into account collateral. The amount relating to credit risk run on financial instruments that is recognised on the statement of financial position is equal to the carrying amount after netting less the collateral.

The netting agreements relate to netting under the International Swaps and Derivatives Association (ISDA) agreements.

Credit risk at year-end

In thousands of euros	Gross credit risk before netting	Balance sheet netting with gross liabilities	Carrying amount	Netting Agreements / Collateral	Net credit risk 2017
Cash and balances with central banks	396,196	-	396,196	-	396,196
Due from other banks	118,090	-	118,090	-	118,090
Derivatives	6,271	-	6,271	6,269	2
Financial assets available for sale	269,308	-	269,308	-	269,308
Loans and receivables	4,546,526	-	4,546,526	4,335,143	211,383
Other assets, prepayments and accrued income	5,964	-	5,964	-	5,964
Total on-balance	5,342,356	-	5,342,356	4,341,412	1,000,944
Contingent liabilities	807	-	807	-	807
Irrevocable facilities	48,477	-	48,477	-	48,477
Total off-balance	49,284	-	49,284	-	49,284
Total	**5,391,641**	**-**	**5,391,641**	**4,341,412**	**1,050,229**

Credit risk at prior year-end

In thousands of euros	Gross credit risk before netting	Balance sheet netting with gross liabilities	Carrying amount	Netting Agreements / Collateral	Net credit risk 2016
Cash and balances with central banks	386,297	-	386,297	-	386,297
Due from other banks	127,138	-	127,138	-	127,138
Derivatives	7,228	-	7,228	3,801	3,427
Financial assets available for sale	349,225	-	349,225	-	349,225
Loans and receivables	4,614,170	-	4,614,170	4,236,302	377,868
Other assets, prepayments and accrued income	6,420	-	6,420	-	6,420
Total on-balance	5,490,477	-	5,490,477	4,240,103	1,250,374
Contingent liabilities	807	-	807	-	807
Irrevocable facilities	147,412	-	147,412	-	147,412
Total off-balance	148,219	-	148,219	-	148,219
Total	**5,638,697**	**-**	**5,638,697**	**4,240,103**	**1,398,593**

Financial liabilities offsetting at year-end

In thousands of euros	Carrying amount before balance sheet netting	Balance sheet netting with gross liabilities	Carrying amount	Netting Agreements / Collateral	Net exposure 2017
Amounts owed to banks	130,021	-	130,021	-	130,021
Derivatives	20,071	-	20,071	20,071	-
Funds entrusted	3,565,917	-	3,565,917	-	3,565,917
Securitised mortgage loan notes	1,349,533	-	1,349,533	-	1,349,533
Other liabilities, accruals and deferred income	64,106	-	64,106	-	64,106
Provisions	5,032	-	5,032	-	5,032
Subordinated loans	12,000	-	12,000	-	12,000
Total	**5,146,680**	**-**	**5,146,680**	**20,071**	**5,126,609**

Financial liabilities offsetting at prior year-end

In thousands of euros	Carrying amount before balance sheet netting	Balance sheet netting with gross liabilities	Carrying amount	Netting Agreements / Collateral	Net exposure 2016
Amounts owed to banks	965	-	965	-	965
Derivatives	36,806	-	36,806	34,440	2,366
Funds entrusted	3,609,052	-	3,609,052	-	3,609,052
Securitised mortgage loan notes	1,573,752	-	1,573,752	-	1,573,752
Other liabilities, accruals and deferred income	61,336	-	61,336	-	61,336
Provisions	117	-	117	-	117
Subordinated loans	12,000	-	12,000	-	12,000
Total	**5,294,028**	**-**	**5,294,028**	**34,440**	**5,259,588**

The table below shows the LTMV of the mortgage portfolio. The LTMV is the residual amount compared with the sale value in a private sale with vacant possession. The NHG mortgage portfolio is secured on an annuity basis.

Loan-to-market value of mortgages at year-end

	Amount 2017	Percentage 2017	Amount 2016	Percentage 2016
NHG < 100%	1,992,151	44%	1,755,584	39%
NHG > 100%	644,660	14%	975,084	21%
< 70%	441,927	10%	344,791	8%
70% < 90%	671,095	15%	584,877	13%
90% < 100%	452,402	10%	318,737	7%
100% < 110%	200,298	4%	254,532	5%
110% < 120%	79,508	2%	208,984	5%
> 120%	19,091	0%	90,961	2%
Total	**4,501,131**	**100%**	**4,533,551**	**100%**

The credit quality of our mortgage portfolio remained high in 2017, resulting in low impairments and write-offs and stable risk-weighted assets.

Past-due loans

As can be seen in the table below, delinquencies in Delta Lloyd Bank's mortgages portfolio decreased in 2017, due to the result of the improving macro-economic conditions.

Delinquency

In thousands of euros	Mortgages		Consumer lending		Total	
	2017	2016	2017	2016	2017	2016
0 days	4,476,189	4,496,317	45,732	80,075	4,521,920	4,576,392
1 - 30 days	16,295	22,849	2,231	2,648	18,526	25,497
31 - 60 days	2,813	4,161	808	801	3,621	4,963
61 - 90 days	1,602	3,108	269	342	1,872	3,450
> 90 days	6,690	10,822	4,132	5,117	10,821	15,938
Total	**4,503,588**	**4,537,257**	**53,172**	**88,983**	**4,556,760**	**4,626,241**

Delta Lloyd Bank measured its portfolio in terms of payment arrears on a continuous basis. The retail portfolios were closely monitored on a monthly basis to determine if there are any significant changes in delinquency levels. Generally, an obligation is considered 'past due' if a payment of interest or principal is more than one day late. When this happened, a specialised team contacted the customer to explore the possibilities of getting the customer back into financial health as soon as possible.

Impaired and loans

Delta Lloyd Bank's loans to customers are exposed to credit risk. As can be derived from the table below, approximately 0.7% of total loans to customers as at the end of 2017 are classified as impaired loans (EUR 31.0 million in impaired loans out of EUR 4.5 billion total loans to customers).

Balance sheet items exposed to credit risk

In thousands of euros	Not impaired		Past due but not impaired		Impaired		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Mortgages	4,467,461	4,487,404	15,734	17,822	20,393	32,031	4,503,588	4,537,257
Consumer loans	40,712	75,072	1,868	2,735	10,591	11,176	53,172	88,983
Total	**4,508,174**	**4,562,476**	**17,602**	**20,558**	**30,984**	**43,207**	**4,556,760**	**4,626,241**

Forbearance

It is often more beneficial, for the bank, as well as for the client, to restructure the loans rather than to recover the loans and take possession of the available collateral. The contracts of such clients may be modified at non-commercial terms to avoid foreclosure. The process of making concessions for clients, with the purpose of keeping them afloat, is referred to as 'forbearance'.

Delta Lloyd Bank committed to proactively helping customers prevent and resolve their financial difficulties. This commitment stemmed from Delta Lloyd Bank's duty of care to its customers throughout the entire mortgage product cycle. Forbearance measures were taken in cases where customers are temporarily experiencing:

- double housing costs by offering, under strict conditions, the option to rent out the property
- the threat of getting into financial difficulty by providing information offering temporary or permanent solutions
- financial problems resulting from a permanent decrease in income by restructuring the mortgage

If a forbearance measure is applied to a performing client, the client stays forborne for at least two years. If a forbearance measure is applied to a non-performing client, the client stays forborne for at least three years. During this period, the asset will continue to be reported as forborne.

Credit ratings

Moody's was used as the ratings agency for fixed-income instruments (bonds) included in Delta Lloyd Bank's portfolio. The table below shows the fixed-income instruments classified by Moody's rating.

Credit ratings of debt securities at year-end

In thousands of euros	Aaa	Aa	A	Baa	C	Without external rating	Total 2017
Debt securities	105,262	120,346	43,700	-	-	-	269,308
Total	**105,262**	**120,346**	**43,700**	**-**	**-**	**-**	**269,308**

Credit ratings of debt securities at prior year-end

In thousands of euros	Aaa	Aa	A	Baa	C	Without external rating	Total 2016
Debt securities	148,072	144,602	48,486	8,060	5	-	349,225
Total	**148,072**	**144,602**	**48,486**	**8,060**	**5**	**-**	**349,225**

The quality of the investment portfolio remained high during 2017, reflecting the low risk strategy of the investment mandate.

Concentration risk

Delta Lloyd Bank's strategy was to sell mortgages in the Netherlands. This focus was viewed as strategic in nature. Within the Netherlands, the concentration credit risk at Delta Lloyd Bank was fairly limited at an individual exposure level. The retail portfolios are characterised by strong diversification thanks to the adequate granularity of borrowers. The tables below show Delta Lloyd Bank's geographical and sector concentration.

Geographical concentration of assets at year-end

In thousands of euros	Netherlands	Belgium	Other EU countries	Other European countries	Other countries	Total 2017
Cash and balances with central banks	396,196	-	-	-	-	396,196
Due from other banks	71,380	2,702	44,001	-	7	118,090
Derivatives	5,242	-	1,029	-	-	6,271
Financial assets available for sale	73,540	21,384	174,385	-	-	269,308
Loans and receivables	4,546,231	19	60	-	215	4,546,526
Property and equipment	225	-	-	-	-	225
Current tax assets	728	-	-	-	-	728
Other assets	2,358	-	-	-	-	2,358
Prepayments and accrued income	3,605	-	-	-	1	3,606
Total assets	**5,099,506**	**24,105**	**219,474**	**-**	**224**	**5,343,309**

Geographical concentration of assets at prior year-end

In thousands of euros	Netherlands	Belgium	Other EU countries	Other European countries	Other countries	Total 2016
Cash and balances with central banks	386,297	-	-	-	-	386,297
Due from other banks	78,898	7,490	40,687	10	52	127,138
Derivates	6,102	-	1,126	-	-	7,228
Financial assets available for sale	84,846	21,999	242,380	-	-	349,225
Loans and receivables	4,613,830	27	83	-	230	4,614,170
Property and equipment	275	-	-	-	-	275
Other assets	2,047	-	-	-	-	2,047
Prepayments and accrued income	4,371	-	-	-	1	4,372
Total assets	**5,176,667**	**29,516**	**284,276**	**10**	**283**	**5,490,752**

Geographical concentration of liabilities at year-end

In thousands of euros	Netherlands	Belgium	Other EU countries	Other European countries	Other countries	Total 2017
Amounts owed to banks	130,000	-	21	-	-	130,021
Derivatives	1,386	-	18,685	-	-	20,071
Funds entrusted	3,539,844	12,083	12,730	974	286	3,565,917
Securitised mortgage loan notes	1,349,533	-	-	-	-	1,349,533
Deferred tax liabilities	24,592	-	-	-	-	24,592
Other liabilities	26,717	-	-	-	-	26,717
Accruals and deferred income	12,377	14	385	7	14	12,797
Provisions	5,032	-	-	-	-	5,032
Subordinated loans	-	-	12,000	-	-	12,000
Total liabilities	**5,089,481**	**12,097**	**43,821**	**981**	**300**	**5,146,680**
Net position	**10,025**	**12,008**	**175,653**	**-981**	**-76**	**196,629**

Geographical concentration of liabilities at prior year-end

In thousands of euros	Netherlands	Belgium	Other EU countries	Other European countries	Other countries	Total 2016
Amounts owed to banks	-	-	938	-	27	965
Derivatives	6,655	-	30,151	-	-	36,806
Funds entrusted	3,584,968	6,130	15,426	2,011	517	3,609,052
Securitised mortgage loan notes	1,573,752	-	-	-	-	1,573,752
Current tax liabilities	1	-	-	-	-	1
Deferred tax liabilities	32,920	-	-	-	-	32,920
Other liabilities	13,723	-	-	-	-	13,723
Accruals and deferred income	14,265	17	391	7	12	14,692
Provisions	117	-	-	-	-	117
Subordinated loans	-	-	12,000	-	-	12,000
Total liabilities	**5,226,401**	**6,147**	**58,906**	**2,018**	**557**	**5,294,028**
Net position	**-49,734**	**23,369**	**225,371**	**-2,008**	**-274**	**196,724**

Financial risk – market risk

Market risk is the risk of losses in balance sheet and off-balance sheet positions arising from adverse movements in market prices, in particular movements in interest rates, currency rates, and equity and commodities prices. Interest rate risk was the most important risk for Delta Lloyd Bank to control. Due to the small size of the foreign currency portfolio, currency risk was less relevant for Delta Lloyd Bank. The bank did not hold equities and commodities on its statement of financial position. Delta Lloyd Bank did not hold a trading portfolio.

Financial risk – interest rate risk

Interest rate risk is the risk that a change in the interest rate curve will adversely affect results and equity. The interest rate risk stems from the different interest rate sensitivities of assets and liabilities (redemption of customer mortgages and loans or the outflow of savings) and from money and capital market developments.

Important assumptions for measuring the interest rate risk mainly concern customer behaviour. In this context, Delta Lloyd Bank estimated the conditional prepayment rate (CPR) for the mortgage portfolios and the fixed-rate terms and portfolio movements for payment and savings accounts. In addition, the bank made assumptions about the interest rate risk that could arise from future mortgage loans based on mortgage offers that have already been issued. In 2017, the earnings at risk metric was further developed and integrated into Delta Lloyd Bank's risk appetite.

The most important measures for interest rate risk were capital at risk and earnings at risk. Capital at risk reflects the impact of extreme interest rate scenarios on the economic value of the portfolio, while earnings at risk reflects the consequences of interest rate movements in terms of uncertainty about future interest income. These risk measures were calculated according to the DNB guidelines and reported to the ALCO at least once a month. In special circumstances, they could have been reported more often, together with an analysis of possible measures. The interest rate risk was calculated on the basis of various interest rate scenarios, including parallel interest rate shocks of +2%/-2%, changes in the shape of the interest rate curve, and interest rate shocks with a reliability interval of 99.9%. Based on this input, the ALCO actively managed the risks by means of interest rate derivatives. All developments were discussed in detail in the preparatory interest rate risk meetings.

Delta Lloyd Bank had a substantial mortgage portfolio, where the fixed-rate term could be an important risk component. Interest rate derivatives (including interest rate swaps) were used to mitigate this risk.

Sensitivity analysis

Different scenarios were calculated and reported to management. Two of these are illustrated in the table below. For capital at risk, the table shows an immediate parallel shift in the yield curve (up or down) of 100 and 200 basis points and for earnings at risk it shows a gradual change in the yield curve (up or down) by 100 and 200 basis points for the first year and stable for the second year.

Capital at risk has decreased since last year because of de-risking. The earnings at risk model has been updated in 2017 with the incorporation of the mid-term strategic plan. The earnings at risk figures below are calculated under the assumption of going concern. As can be seen, Delta Lloyd Bank's earnings are susceptible to a decrease in interest rates in one year's time.

Sensitivity analysis at year-end

In thousands of euros	Interest rate risk		Interest rate risk	
	+1%	**-1%**	**+2%**	**-2%**
Capital at risk	-2,145	2,840	-3,626	6,384
Earnings at risk	1,712	-1,709	3,426	-3,415

Sensitivity analysis at prior year-end

In thousands of euros	Interest rate risk		Interest rate risk	
	+1%	**-1%**	**+2%**	**-2%**
Capital at risk	-5,545	5,976	-10,642	12,336
Earnings at risk	440	-443	877	-890

Limitations of the sensitivity analysis

The capital at risk and earnings at risk figures do not present the impact on the IFRS-equity or IFRS-result, since part of the changes in value resulting from market interest rate movements are not recognised in the income statement or equity. Current margin figures were used for earnings at risk and the effect on net interest income was reported for a time horizon of one year.

Financial risk – currency risk

At year-end 2017, Delta Lloyd Bank was not exposed to any significant foreign currency risk because all positions have been closed. The Management Board set limits on exposure to each currency and overall on closing and intraday exchange rates, and these were monitored daily. Delta Lloyd Bank's policy was to hedge all currency positions.

Financial risk – liquidity risk

Liquidity risk is best described as the risk that Delta Lloyd Bank is no longer able to meet its liabilities, unwind or settle its positions as they become due. The principal source of liquidity risk stems from the bank's traditional transformation function by borrowing short from customers and lending long in the form of mortgages. The finance for these mortgages comes from the funds entrusted by customers and securitised mortgage loan notes.

Liquidity risk management

Delta Lloyd Bank was a subsidiary of NN Group. Despite this close relationship, the bank had a primary responsibility to control its own liquidity risk. The bank had dedicated Treasury employees and its own risk management department, called Financial Risk, for this purpose. As a subsidiary of NN Group, Delta Lloyd Bank regularly carried out transactions with other business units in connection with the purchase/sale of assets or for cash management purposes.

Under normal conditions, the ALCO took care of strategic/tactical liquidity management. The ALCO received reports from Financial Risk, in which the liquidity risks are analysed and the limits monitored. Based on these reports, the ALCO could make decisions on the acceptance of limit excesses, setting of limits or the formulation of Treasury actions. The implementation and effects of the ALCO's decisions were monitored and reported by Financial Risk.

Delta Lloyd Bank Treasury was responsible for the operational management of the liquidity risk in cooperation with the employees of Group Treasury of Delta Lloyd. This responsibility concerned both the intraday management and the execution of money market transactions, either to borrow additional liquidities or generate returns on surplus liquidities.

Delta Lloyd Bank monitored a broad range of limits that are partly based on regulatory requirements. These included the month surplus, the grace period, the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). In addition, the bank had limits for the liquidity buffer as well as various intragroup limits. The bank also used several early warning indicators to monitor developments that affect the available funds entrusted (e.g. the principal source of funding) or Treasury's ability to attract additional funding.

On a weekly basis, the Risk department drawed up a liquidity report. This report was discussed with the Treasury department in the weekly liquidity meeting. The report was subsequently submitted to the ALCO, where the liquidity position was extensively discussed on a regular basis or in case of relevant circumstances. In principle, the various limits and early warning indicators could also be reported on a daily basis if necessary.

On 31 December 2017, Delta Lloyd Bank had a sufficiently large liquidity buffer that was principally made up of cash and eligible, high quality, liquid investments as determined by the ECB. In 2017, Delta Lloyd Bank actively managed it’s liquidity position.

Maturity analysis

Matching and managed mismatching of maturity dates and interest rates of assets and liabilities was fundamental to the management of Delta Lloyd Bank. It is unusual for a bank’s assets and liabilities ever to be fully matched, since the types of transactions performed often vary and their maturities are usually uncertain. An unmatched position may be conducive to profitability but can increase the risk of losses. The maturities of assets and liabilities and the ability to replace interest-bearing liabilities at an acceptable price at maturity were significant factors when assessing Delta Lloyd Bank’s liquidity and its exposure to changes in interest rates and exchange rates.

The liquidity requirement to meet calls on guarantees and disbursements under committed facilities was considerably lower than the notional amounts involved. In general, Delta Lloyd Bank did not expect a third party to draw funds under the agreement. The total amount of committed credit facilities does not necessarily represent the future liquidity requirement as many of these liabilities will expire unfinanced or be terminated.

The tables below show the assets and liabilities by contractual maturity. The amounts are classified according to the earliest possible maturity date under the contract. The off-balance sheet items are included in the table at the earliest date on which an outflow of funds is possible. There appears to be a mismatch in the liquidity position, as savings (‘Funds entrusted’) consequently make up a large portion of the Repayable on demand column, while loans, in particular mortgages, generally have a maturity of more than five years. In practice, however, savings have a longer maturity and this reduces the mismatch.

The active cash flow includes a maturity analysis based on discounted cash flows. The passive cash flow has a maturity analysis based on undiscounted cash flows. The undiscounted cash flows may differ from the values presented in the Consolidated statement of financial position. Furthermore, the undiscounted future interest payments on borrowings are disclosed separately in the relevant maturity class. Interest payments and the maturity of loans are recognised according to the contractual maturity date.

Contractual maturity of assets and liabilities excluding derivatives at year-end

In thousands of euros	Repayable on demand	Within three months	Between three months and a year	Between one and five years	More than five years	Not stated	Total 2017
Cash and balances with central banks	396,196	-	-	-	-	-	396,196
Due from other banks	73,784	-	-	-	-	44,306	118,090
Financial assets available for sale	-	15,105	62,116	149,222	42,865	-	269,308
Loans and receivables	7,402	6,577	11,447	59,923	4,409,281	51,895	4,546,526
Property and equipment	-	-	-	-	-	225	225
Current tax assets	728	-	-	-	-	-	728
Other assets	2,358	-	-	-	-	-	2,358
Prepayments and accrued income	1	1,477	2,128	-	-	-	3,606
Total assets	**480,470**	**23,159**	**75,691**	**209,145**	**4,452,147**	**96,426**	**5,337,038**
Amounts owed to banks	130,021	-	-	-	-	-	130,021
Funds entrusted	1,113,133	58,617	145,996	654,739	1,593,432	-	3,565,917
Securitised mortgage loan notes	-	-	-	-	1,349,533	-	1,349,533
Deferred tax liabilities	-	-	-	-	-	24,592	24,592
Other liabilities	26,717	-	-	-	-	-	26,717
Accruals and deferred income	1,417	7,486	3,893	-	-	-	12,796
Provisions	-	149	2,285	2,598	-	-	5,032
Subordinated loans	-	-	-	12,000	-	-	12,000
Total liabilities	**1,271,287**	**66,253**	**152,175**	**669,337**	**2,942,964**	**24,592**	**5,126,609**
Future interest payments	-	1,296	4,609	21,460	124,881	-	152,246
Total liabilities including future interest payments	**1,271,287**	**67,549**	**156,783**	**690,797**	**3,067,845**	**24,592**	**5,278,855**

Contractual maturity of assets and liabilities excluding derivatives at prior year-end

In thousands of euros	Repayable on demand	Within three months	Between three months and a year	Between one and five years	More than five years	Not stated	Total 2016
Cash and balances with central banks	386,297	-	-	-	-	-	386,297
Due from other banks	83,137	-	-	-	-	44,001	127,138
Financial assets available for sale	5	5,031	70,244	208,207	65,738	-	349,225
Loans and receivables	3	10,887	10,492	55,308	4,472,626	64,854	4,614,170
Property and equipment	-	-	-	-	-	275	275
Other assets	2,047	-	-	-	-	-	2,047
Prepayments and accrued income	24	1,682	2,666	-	-	-	4,372
Total assets	**471,514**	**17,600**	**83,401**	**263,515**	**4,538,364**	**109,130**	**5,483,525**
Amounts owed to banks	27	-	-	-	-	938	965
Funds entrusted	1,223,041	104,981	144,158	568,090	1,568,782	-	3,609,052
Securitised mortgage loan notes	-	-	-	-	1,573,752	-	1,573,752
Current tax liabilities	1	-	-	-	-	-	1
Deferred tax liabilities	-	-	-	-	-	32,920	32,920
Other liabilities	13,723	-	-	-	-	-	13,723
Accruals and deferred income	1,424	9,048	4,220	-	-	-	14,692
Provisions	-	-	4	112	-	-	117
Subordinated loans	-	-	-	12,000	-	-	12,000
Total liabilities	**1,238,215**	**114,029**	**148,382**	**580,203**	**3,142,535**	**33,858**	**5,257,222**
Future interest payments	-	1,387	4,880	23,629	139,119	-	169,015
Total liabilities including future interest payments	**1,238,215**	**115,416**	**153,263**	**603,832**	**3,281,654**	**33,858**	**5,426,238**

Expected maturity of assets and liabilities at year-end

In thousands of euros	Less than one year	Greater than one year	Total 2017
Cash and balances with central banks	396,196	-	396,196
Due from other banks	73,784	44,306	118,090
Derivatives	-1,512	7,783	6,271
Financial assets available for sale	77,221	192,087	269,308
Loans and receivables	296,692	4,249,834	4,546,526
Property and equipment	-	225	225
Current tax assets	728	-	728
Other assets	2,358	-	2,358
Prepayments and accrued income	3,606	-	3,606
Total assets	**849,074**	**4,494,235**	**5,343,309**
Amounts owed to banks	130,021	-	130,021
Derivatives	4,492	15,579	20,071
Funds entrusted	1,317,746	2,248,171	3,565,917
Securitised mortgage loan notes	-	1,349,533	1,349,533
Deferred tax liabilities	-	24,592	24,592
Other liabilities	26,717	-	26,717
Accruals and deferred income	12,797	-	12,797
Provisions	2,434	2,598	5,032
Subordinated loans	-	12,000	12,000
Total liabilities	**1,494,207**	**3,652,473**	**5,146,680**
Net position	**-645,134**	**841,762**	**196,629**

Expected maturity of assets and liabilities at prior year-end

In thousands of euros	Less than one year	Greater than one year	Total 2016
Cash and balances with central banks	386,297	-	386,297
Due from other banks	83,137	44,001	127,138
Derivatives	4,336	2,892	7,228
Financial assets available for sale	75,280	273,945	349,225
Loans and receivables	273,985	4,340,185	4,614,170
Property and equipment	-	275	275
Other assets	2,047	-	2,047
Prepayments and accrued income	4,372	-	4,372
Total assets	**829,455**	**4,661,298**	**5,490,752**
Amounts owed to banks	27	938	965
Derivatives	8,912	27,894	36,806
Funds entrusted	1,472,180	2,136,873	3,609,052
Securitised mortgage loan notes	-	1,573,752	1,573,752
Current tax liabilities	1	-	1
Deferred tax liabilities	-	32,920	32,920
Other liabilities	13,723	-	13,723
Accruals and deferred income	14,692	-	14,692
Provisions	4	112	117
Subordinated loans	-	12,000	12,000
Total liabilities	**1,509,539**	**3,784,490**	**5,294,028**
Net position	**-680,084**	**876,808**	**196,724**

Derivatives

All derivative financial instruments (interest rate and currency contracts) held by Delta Lloyd Bank are settled gross. The table below shows the cash flows on derivatives that cannot be reconciled with figures in the Statement of financial position.

Maturity analysis of derivatives at year-end

In thousands of euros	Within one month	Between one and three months	Between three months and a year	Between one and five years	More than five years	Total 2017
Interest rate contracts						
- cash inflows	-	-	47	15,482	61,456	76,985
- cash outflows	-2,001	-2,106	-8,497	-35,730	-40,845	-89,179
Currency contracts						
- cash inflows	-	-	-	-	-	-
- cash outflows	-	-	-	-	-	-
Total cash inflows	-	-	47	15,482	61,456	76,985
Total cash outflows	-2,001	-2,106	-8,497	-35,730	-40,845	-89,179
Net cash flow	**-2,001**	**-2,106**	**-8,450**	**-20,248**	**20,611**	**-12,194**

Maturity analysis of derivatives at prior year-end

In thousands of euros	Within one month	Between one and three months	Between three months and a year	Between one and five years	More than five years	Total 2016
Interest rate contracts						
- cash inflows	-	-	45	3,081	38,880	42,006
- cash outflows	-1,536	-1,671	-6,535	-31,970	-29,166	-70,878
Currency contracts						
- cash inflows	66	2,832	1,827	-	-	4,725
- cash outflows	-68	-2,828	-1,810	-	-	-4,705
Total cash inflows	66	2,832	1,871	3,081	38,880	46,730
Total cash outflows	-1,603	-4,499	-8,345	-31,970	-29,166	-75,583
Net cash flow	**-1,537**	**-1,667**	**-6,474**	**-28,889**	**9,713**	**-28,853**

(c) Operational risk

Operational risk is the risk of losses caused by external events or failing people, systems or processes. This definition includes legal risk, but excludes strategic and reputational risk.

Operational risk cannot be eliminated entirely, as people, processes and systems are not perfect; losses are kept within acceptable margins through a framework of risk management and internal control.

To deal with any unexpected operational loss, the capital requirement for operational risk is calculated according to the Basel II standard approach methodology. Margins and tolerances for operational loss per event type were defined in the Risk appetite statement. All loss events were registered and the total operational loss over 2017 is within the margins as defined in the Risk appetite statement.

Business process owners were responsible for identifying and controlling risks inherent to their processes. This involved business process management, performing risk control self-assessments, quality control activities and reporting and evaluating operational loss events and near misses.

The Risk & Control department facilitated business process owners, maintained oversight of the risk profile and performed specialised risk assessments on specific topics.

Due to Delta Lloyd Bank and NN Bank integration activities, the operational risk increased inherently as a result of a higher turnover of staff. However, this has not resulted in a significant increase of incidents or losses.

(d) Compliance risk

Compliance risk is the risk of not complying with laws, regulations and ethical standards relevant to the financial services offered by Delta Lloyd Bank.

Compliance with laws and regulations and the enforcement of appropriate compliance policies were high on Delta Lloyd Bank's agenda. Every employee at Delta Lloyd Bank was personally responsible for complying with these laws and regulations. The Compliance department provided support in the form of compliance awareness training. It also advised on integrity and reputation issues and monitored compliance in this area.

Delta Lloyd Bank periodically conducted an integrity risk assessment that covers a wide range of scenarios, including product-specific risks, fraud, corruption, terrorist financing and money laundering.

Delta Lloyd Bank was continuously working on improving its compliance framework to ensure ongoing compliance with current laws and regulations and to anticipate changes in regulation, developing interpretation of existing regulation and the expectations of regulators, clients and the general public.

Employees were screened, received compliance awareness training and were regularly evaluated in terms of compliance with professional qualifications requirements. Clients and transactions were screened and monitored to comply with all applicable legislation, such as anti-money laundering and anti-terrorist-financing legislation, including EU, US and UN sanction lists. New and existing products were regularly reviewed and evaluated on such things as compliance with customer protection regulations and acceptable market practices.

Based on an internal product assessment carried out in 2017, Delta Lloyd Bank initiated a review of commissions paid to intermediaries to ensure Delta Lloyd Bank complies with the Wft. Delta Lloyd Bank liaised with the relevant supervisory authorities in this respect. Their review is ongoing.

The independent compliance function reported directly to the Management Board of Delta Lloyd Bank.

(e) Financial reporting risk

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

Internal control over financial reporting was a process designed under the supervision of the CFO. It provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

3.7.2 Capital management

Capital management strategy

The objective of the capital policy is to achieve efficient capital management within Delta Lloyd Bank, thus assuring that sufficient capital is available for the implementation of the business strategy and the adopted risk strategy (risk appetite). In addition to meeting minimum regulatory capital requirements, conveying trust to the market based on our capital management is an important aim.

Delta Lloyd Bank periodically carries out the Internal Capital Adequacy Assessment Process (ICAAP) to assess, among other things, whether the reserved capital is sufficient to meet the set of requirements. The outcomes of the ICAAP are shared with the Supervisory Board and provide input for the review (in conformity with the Supervisory Review and Evaluation Process or SREP), which the Dutch Central Bank (DNB) carries out as regulator in the context of Pillar 2.

A binding requirement of 3% for the leverage ratio at EU level was proposed by the European Commission in a set of legislative proposals to amend the Capital Requirement Regulation on 23 November 2016. The proposed changes are expected to enter into force in 2019 at the earliest. Delta Lloyd Bank has also performed a pair review and has adopted changes in its capital plan to have a leverage ratio development in line with other banks. By the end of 2017, our leverage ratio was 3.7% (2016: 3.6%). With this level of leverage, Delta Lloyd Bank is currently compliant with the expected introduction of the leverage ratio of 3%.

ICAAP

The ICAAP is the regular process in which the bank identifies and quantifies all business risks and maintains sufficient capital to support those risks. Risk management is aimed at ensuring that adequate capitalisation is maintained on an ongoing and forward-looking basis. Each year, Delta Lloyd Bank reports the results of the ICAAP to the DNB. Through thorough analysis of the risks, stress testing, scenario analysis and projections, economic capital adequacy is assessed. Delta Lloyd Bank's balance sheet has the following sources of risk for which capital is held:

- Credit risk
- Market risk
- Operational risk
- Settlement risk
- Interest rate risk
- Model risk
- Concentration risk
- Spread risk
- Other risks

The first four of these risks are calculated under Pillar 1 as prescribed under Basel III. Interest rate risk, model risk and other risks are determined only under Pillar 2. In 2015, two additional - but minor - risks were identified: concentration risk in the credit portfolios and spread risk in the available for sale portfolio. No new risks were added in 2017.

Regulation

Since the introduction of Basel III regulation in 2014, the bank has taken steps to meet regulatory requirements. Today, the Basel III regulation is largely implemented, as additional regulation is phased in the coming years. Nevertheless, more stringent requirements are anticipated in the future. The Bank of International Settlement has proposed a revised Standardised Approach for credit risk, which potentially has a large impact on the bank. In response, the bank has developed a new capital strategy to remain well capitalised under this revised credit risk approach.

Governance

The bank's Management Board bears the ultimate responsibility for the design, implementation and operation of the capital management policy. Most of these tasks have been delegated to the ALCO. Within the board of directors, the CRO is the principal contact regarding the capital management framework. Every month Delta Lloyd Bank evaluates internally whether the capital requirements are in accordance with the internal and external guidelines. If necessary, management actions are defined in order to meet these guidelines. By extension, the bank has an up-to-date Recovery Plan with a broad range of remediation options.

Capital planning

Each year, the bank submits a capital plan to the Dutch Central Bank, outlining how the bank proposes to meet current and future guidelines. This constitutes important control information for the bank's Management Board and Supervisory Board. As part of its Annual Plan process, the bank makes five-year projections for the statement of financial position. The Financial Risk Department calculates the capital and liquidity ratios in conformity with the projections. A good capital and liquidity position is a key condition for the strategy selected in the Plan process.

Capital structure

At year-end 2017, the Total Capital ratio was 16.8% (2016: 17.4%); the Common Equity Tier 1 ratio amounted to 16.6% at year-end 2017 (2016: 17.1%).

In 2017, both the Total Risk Exposure Amount for credit risk and the Total Risk Exposure Amount for operational risk increased marginally. Tier 1 capital remained almost constant but Tier 2 has shown a decline due to the phasing out of the only Tier 2 loan. These effects are small, but combined explain the decline in the capital position in 2017.

Delta Lloyd Bank has opted for the Standardised Approach to calculate its capital requirement for the various areas of risk and so does not use internal models for its reporting to the regulator. Under Pillar 2, Delta Lloyd Bank makes use of internal analyses in the ICAAP for various risk areas including credit risk, market risk, interest rate risk, operational risk and IT risk. The total capital required is the sum of the amounts of required capital calculated for each risk area. Delta Lloyd Bank excludes diversification advantages between risks from this calculation.

The available regulatory capital relative to the capital required on the basis of the risk-weighted assets was as follows:

Own funds for solvency purposes at year-end

In thousands of euros	2017	2016
Share capital	35,000	35,000
Share premium	281,667	281,667
Revaluation reserves	-995	-1,937
Adjustment revaluation reserves	199	775
Other reserves	-118,230	-132,698
Equity compensation plan	-	217
Retained earnings	-814	14,474
CET1 deductions	-	-
Adjustments to CET1 due to prudential filters	-239	-254
Common Equity Tier 1 capital	196,589	197,245
Additional Tier 1 capital		
Subordinated loans	12,000	12,000
Adjustment subordinated loans	-10,200	-8,400
General credit risk adjustments	-	-
Tier 2 deductions	-	-
Tier 2 capital	1,800	3,600
Total	**198,389**	**200,845**

Minimum capital requirements

Total capital requirements at year-end

In thousands of euros	2017	2016
Credit, counterparty credit and dilution risks and free deliveries	86,581	84,566
Settlement/delivery risks	-	-
Position, foreign exchange and commodities risks	-	-
Operational risks	7,834	6,932
Credit valuation adjustment	210	749
Total	**94,625**	**92,247**

Capital requirements for credit, counterparty credit and dilution risks and free deliveries at year-end

In thousands of euros	2017	2016
(Central) governments and central banks	-	-
Regional governments or local authorities	-	-
Public sector entities	5	8
Multilateral development banks	-	-
Internation organisations	-	-
Institutions	1,611	2,403
Corporates	2,577	3,244
Retail	43,710	42,210
Exposures secured by mortgages on immovable property	37,542	35,279
Exposures in default	481	531
Exposures associated with particularly high risk	-	-
Covered bonds	83	260
Securitisation	450	444
Exposures to institutions and corporates with a short-term credit assessment	-	-
Collective investment undertakings	-	-
Equity exposures	-	-
Other items	123	186
Total capital requirements	**86,581**	**84,566**

Capital requirement for operational risk

In thousands of euros	2017	2016
Total gross income	63,838	63,510
Capital requirements operational risk*	7,834	6,932

* Capital requirements for operational risk are calculated using the Standardised Approach.

3.7.3 Interest

Interest income is recognised as it accrues, taking into account the effective interest rate of the investment.

Net interest income

In thousands of euros	2017	2016
Mortgages	96,307	105,422
Available-for-sale debt securities	214	1,251
Banks	-	36
Interest on impaired assets	-	40
Other	258	5,944
Total interest income	96,779	112,693
Savings accounts	34,867	39,738
Customers deposits	15,449	20,622
Subordinated loans	720	1,675
Current accounts	237	497
Securitised mortgage loan notes	6,402	7,111
Banks	2,083	3,174
Other	-	96
Total interest expense	59,758	72,914
Total	**37,021**	**39,780**

Interest income decreased in 2017, mainly due to a further reduction of the mortgage interest rates.

The line item ‘Other interest income’ is lower than 2016 due to the capitalisation of the interest penalties paid by customers in 2017.

Interest expenses are lower than 2016 due to lower savings interest rates and the issue of the 2016 mortgage securitisation (Arena NHG 2016-I).

Negative interest income charged by DNB for an amount of EUR 0.1 million (2016: EUR 0.4 million) is presented as interest expense.

3.7.4 Commission

Fee and commission income consists primarily of fees from servicing of the mortgage portfolio, management and distribution fees from investment funds, commission revenue from the sale of investment fund shares and intermediary fees. These fees are recognised in the period when the services they relate to are provided.

Net commission income

In thousands of euros	2017	2016
Servicing fees	17,376	18,544
Brokerage fees	10,886	8,179
Payment and transaction services	-	7
Distribution fees	881	997
Custody fees	1,986	1,895
Total commission income	31,129	29,623
Brokerage fees	249	245
Payment and transaction services	3,806	3,935
Distribution fees	222	114
Custody fees	96	91
Total commission expense	4,373	4,385
Total	**26,756**	**25,238**

3.7.5 Net trading income

Net trading income consists of dividends and fair value changes in investments through profit or loss. Dividends on investments in equity securities are recorded as revenue on the ex-dividend date. The realised gain or loss on the disposal of an investment is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost as appropriate. Unrealised gains and losses represent the difference between the carrying value at year-end and the carrying value at the previous year-end or the purchase price during the year, less the reversal of previously recognised unrealised gains and losses on disposals made during the year.

Net trading income

In thousands of euros	2017	2016
Equity securities	-	28
Total	**-**	**28**

3.7.6 Result from derivatives and hedge accounting

Result from derivatives and hedge accounting

In thousands of euros	2017	2016
Fair value hedge accounting		
Change in fair value of derivative financial instruments held for fair value hedge accounting	16,465	-16,905
Change in fair value of hedged loans and receivables held for fair value hedge accounting	-16,255	16,942
Amortisation of the fair value change of hedged loans and receivables	-996	-4,619
Total fair value hedge accounting	-787	-4,582
Change in fair value of other derivative financial instruments	-80	-449
Change in fair value of foreign currency derivative financial instruments	207	-12
Total	**-660**	**-5,043**

The amortisation of the fair value change of hedged loans and receivables is lower because of a one-off additional amortisation of EUR 3.5 million in 2016 following the sale of a part of the mortgage portfolio to Delta Lloyd Levensverzekering NV.

3.7.7 Realised gains and losses and impairment on investments classified as available for sale

The realised gain or loss on the disposal of an investment is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost as appropriate.

Realised gains and losses on investments classified as available for sale

In thousands of euros	2017	2016
Debt securities	-	85
Total	**-**	**85**

Impairment of investments classified as available for sale

In thousands of euros	2017	2016
Impairment of debt securities (loss)	-	-227
Total	**-**	**-227**

3.7.8 Other income

Income from financial services is recognised in the period in which the services are provided, based on the underlying contract. Delta Lloyd Bank performs activities relating to residential mortgage loans and the associated insurance products offered by Amstelhuys N.V., OHRA Hypotheken Fonds N.V. and Delta Lloyd Levensverzekering N.V. (all NN Group entities) and by external lenders.

Other income

In thousands of euros	2017	2016
Income from financial services for other parties within Delta Lloyd	721	812
Other income	-	24,874
Total	**721**	**25,686**

In 2016 other income related to the transfer of a part of the mortgage portfolio to Delta Lloyd Levensverzekering N.V., which generated a result of EUR 24.9 million.

3.7.9 Staff costs and other administrative expenses

Staff costs and other administrative expenses

In thousands of euros	2017	2016
Salaries and wages	15,287	14,524
Social security charges	2,097	1,967
Pension charges	3,076	5,364
Other staff costs	1,100	788
External staff	3,841	4,606
Training	419	390
Total staff costs	25,819	27,639
IT expenses	6,222	9,660
Marketing expenses	4,684	5,006
Third party services	15,302	14,100
Housing	2,548	3,118
Restructuring costs	5,491	-20
Other expenses	5,141	5,859
Total other administrative expenses	39,388	37,723
Total	**65,207**	**65,362**

Decentralisation of the IT application management team and higher production of new mortgages increased the salaries and wages.

Pension charges are lower due to restructuring of the pension scheme from Defined Benefit to Defined Contribution (CDC) and a one off of EUR 1.6 million recognised in 2016.

IT expenses are lower due to the restructuring of the IT-department in 2016 and ending (new) projects in 2017 due to the merger with NN Bank.

Higher production of new mortgages increased the expenses for third party services.

The restructuring costs amount to EUR 5.5 million of which EUR 5.0 million is recognised as a provision and the remainder as a liability. Reference is made to the disclosure on the restructuring provision in section 3.7.27 ‘Provisions’.

Other expenses include a resolution charge of EUR 1.2 million and contributions to the deposit guarantee scheme of EUR 2.8 million (2016: EUR 4.5 million).

The average number of permanent staff in 2017 was 249 (2016: 239). All employees are seconded to Delta Lloyd Bank by Delta Lloyd Services B.V. and are working in The Netherlands.

3.7.10 Depreciation and amortisation

Depreciation and amortisation

In thousands of euros	2017	2016
Equipment	50	50
Total property and equipment	50	50
Total	**50**	**50**

3.7.11 Impairment of loans and receivables

Impairment of loans and receivables

In thousands of euros	2017	2016
Mortgages	-1,249	-508
Other loans and receivables	946	1,785
Corporate loans and loans and receivables > EUR 1 million	-	-582
Subtotal	-303	694
Other	1	130
Total	**-302**	**825**

3.7.12 Cash and balances with central banks

Cash and cash equivalents consist of deposits held at call with banks and other short-term highly liquid investments with less than 90 days maturity from the date of acquisition. For the purposes of the cash flow statement, cash and cash equivalents also include demand deposits, which are included within amounts owed to banks on the statement of financial position.

Cash and balances with central banks at year-end

In thousands of euros	2017	2016
Deposits held with central banks	396,196	386,297
Total	**396,196**	**386,297**

The balances held with central banks are, besides the deposit guarantee scheme balance of EUR 4.9 million (2016: EUR 4.9 million), all current account positions.

3.7.13 Due from other banks

Due from other banks at year-end

In thousands of euros	2017	2016
Time deposits	44,306	44,001
Demand deposits	73,784	83,137
Total	**118,090**	**127,138**

Time deposits at year-end 2017 consist fully of posted collateral for obligations on derivatives.

3.7.14 Derivatives

Delta Lloyd Bank uses derivatives as part of its asset and liability management to hedge financial risks. Financial risk derivatives (e.g. interest, currency, equity and inflation) hedge financial risks in financial assets and liabilities arising from market movements. Derivative financial instruments include foreign exchange contracts, interest rate futures, currency and interest rate swaps, currency and interest rate options (both written and purchased) and other financial instruments that derive their value mainly from underlying interest rates, foreign exchange rates, commodity values or equity instruments. All derivatives are initially recognised in the statement of financial position at fair value, which usually represents their cost. They are subsequently measured at their fair value through profit or loss. The fair value is measured using the fair value hierarchy as described in section 3.7.31 ’Fair value of assets and liabilities’. Derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative. The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities on the statement of financial position as they do not represent the potential gain or loss associated with such transactions.

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

Fair value hedge accounting

Delta Lloyd Bank uses derivatives to partially hedge the market value risk of certain financial assets due to interest rate movements. Fair value hedge accounting can be used for these derivatives in accordance with IAS 39, provided they have been designated for this and the specific conditions have been met. The EU carve-out on hedge accounting, which allows for more leniency when calculating hedge effectiveness, has been in use since 1 May 2015.

Changes in the fair value of derivatives designated as 'fair value hedges' that meet the set conditions are recognised in the income statement under ‘result from derivatives and hedge accounting’.

Changes in the fair value of the hedged assets are disclosed under the same heading, to the extent that those changes relate to the hedged risk. The net effect of this is that only the ineffective part of the hedge influences the result. An adjustment to the carrying value of a hedged financial instrument is amortised and credited or charged to the income statement under ‘result from derivatives and hedge accounting’ from the moment the carrying value is first adjusted and during the anticipated remaining life of the hedged instrument. See section 3.7.6 ‘Result from derivatives and hedge accounting’ for more information.

Derivatives not included in a hedge relationship

Changes in the value of derivatives that are not included in a hedge relationship are taken directly to the income statement and presented separately in section 3.7.6 ‘Result from derivatives and hedge accounting’.

Derivatives at year-end

In thousands of euros	Contract / notional amount 2017	Fair value asset 2017	Fair value liability 2017	Contract / notional amount 2016	Fair value asset 2016	Fair value liability 2016
Derivatives held for fair value hedge accounting						
Interest rate contracts (swaps)	1,189,900	6,200	20,000	942,900	2,002	31,599
Total	1,189,900	6,200	20,000	942,900	2,002	31,599
Other derivative financial instruments						
Caps	2,332,000	71	71	2,490,000	502	502
Currency contracts, OTC						
Forwards	-	-	-	869,023	4,725	4,705
Total	2,332,000	71	71	3,359,023	5,226	5,207
Total	**3,521,900**	**6,271**	**20,071**	**4,301,923**	**7,228**	**36,806**

Delta Lloyd Bank has applied an OIS (overnight indexed swap) curve to measure fully cash-collateralised derivatives. The projected cash flows of these derivatives are discounted using the EONIA (euro overnight index average) swap curve, which reflects the fair value of future overnight interest rates and is regarded as the best estimate of a risk-free interest rate. The caps relate to the three mortgage-backed securitisations in which part of Delta Lloyd Bank's the mortgage portfolio is pooled and transferred to special purpose entities. Delta Lloyd Bank has entered into interest rate caps with third parties to hedge the interest payment flows for the special purpose entities. The currency contracts are settled for other Delta Lloyd entities and are fully hedged.

ISDA Master Agreements are in place entailing, among other things, that if the counterparty defaults, all derivative transactions may be terminated and netted within the netting set defined in the ISDA, where only a net claim or liability to the counterparty remains. Furthermore, Delta Lloyd Bank uses the Credit Support Annex within the ISDA Master Agreement, entailing that Delta Lloyd Bank can require the counterparty to transfer collateral in case of a net positive market value of the outstanding derivatives.

3.7.15 Financial assets available for sale

Investments classified as 'available for sale' are measured at fair value. The fair value of investments is measured using the fair value hierarchy as described in section 3.7.31 'Fair value of assets and liabilities'. Changes in the fair value of investments classified as available for sale, other than impairment losses and relevant foreign exchange gains and losses, are recorded in a specific investment revaluation reserve within equity. When investments classified as available for sale are sold or impaired, the accumulated fair value adjustments are transferred out of the revaluation reserve to the income statement.

Purchases and sales of investments are recognised at fair value when the trade occurs; i.e. the date that Delta Lloyd Bank commits to purchase or sell the assets. Transaction costs for investments designated as available for sale are included in the initial measurement. Transaction costs for debenture loans are recognised as part of amortisation in the income statement using the effective interest rate method. Transaction costs for equity instruments are recognised in the income statement on sale.

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

At each reporting date Delta Lloyd Bank assesses whether objective evidence exists that an available for sale financial asset is impaired.

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

Financial assets available for sale at year-end

In thousands of euros	2017	2016
Listed debt securities	269,308	349,225
Unlisted debt securities	-	-
Total debt securities	**269,308**	**349,225**

In 2017, fixed-income instruments included EUR 208.0 million of sovereign bonds (2016: EUR 242.1 million). Delta Lloyd Bank has an exposure of EUR 18.6 million to the GIIPS countries in the financial assets available for sale (2016: EUR 28.7 million).

The changes in value of financial assets available for sale are EUR 1.3 million (2016: 0.3 million).

Accumulated impairment of debt securities available for sale

In thousands of euros	2017	2016
At 1 January	500	9,473
Impairment charges during the period	-	227
Disposals	-500	-9,200
At 31 December	**-**	**500**

Investments in unconsolidated structured entities

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

Delta Lloyd Bank did not provide financial or other support to unconsolidated structured entities nor does Delta Lloyd Bank have intentions to provide financial or other support to unconsolidated structured entities in which Delta Lloyd Bank has an interest or previously had an interest.

The composition of the structured entities portfolio is shown in the following table together with the number of individual entities.

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

In thousands of euros	Number of entities at year-end 2017	Carrying amount at year-end 2017	Number of entities at year-end 2016	Carrying amount at year-end 2016
EUR 0-10 million	3	8,888	4	7,990
EUR 10-20 million	1	18,624	1	17,400
Total	**4**	**27,512**	**5**	**25,390**

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

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

In thousands of euros	Total carrying amount debt securities	Interest income	Realised / Unrealised gains and losses	Total income	Losses recognised in profit/loss
Mortgage-backed securitisations (RMBS)	27,512	29	2,357	2,387	-15
Asset-backed securities (ABS)	-	-	-	-	-
Total	**27,512**	**29**	**2,357**	**2,387**	**-15**

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

In thousands of euros	Total carrying amount debt securities	Interest income	Realised / Unrealised gains and losses	Total income	Losses recognised in profit/loss
Mortgage-backed securitisations (RMBS)	25,385	32	-792	-760	-22
Asset-backed securities (ABS)	5	-	-	-	-
Total	**25,390**	**32**	**-792**	**-760**	**-22**

For the most significant structured entities (> EUR 10.0 million), the maximum exposure to loss for Delta Lloyd Bank by type of structured security is presented. The table presents a comparison of Delta Lloyd Bank's interest with the total notes of those unconsolidated structured entities. The amounts shown as total notes are based on the most current available information.

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

In thousands of euros		Note structure of structured entity (notional values)					
Security name	Type	Subordinated interest	Mezzanine interest	Senior Interest	Most Senior Interest	Total	Delta Lloyd Bank's exposure to loss
Cordusio RMBS 4B '40 Frn	RMBS	-	972,030	-	-	972,030	18,624
Total		**-**	**972,030**	**-**	**-**	**972,030**	**18,624**

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

In thousands of euros		Note structure of structured entity (notional values)					
Security name	Type	Subordinated interest	Mezzanine interest	Senior Interest	Most Senior Interest	Total	Delta Lloyd Bank's exposure to loss
Cordusio RMBS 4B '40 Frn	RMBS	2,003	1,094,746	-	-	1,096,749	17,400
Total		**2,003**	**1,094,746**	**-**	**-**	**1,096,749**	**17,400**

For debt securities and loans and receivables, the maximum exposure to loss is the current carrying value of these interests. Delta Lloyd Bank's significant investment in structured entities can be classified as a mezzanine interest. The maximum exposure to loss of the significant investments in structured entities is not reduced by any collateral.

3.7.16 Loans and receivables

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

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

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

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

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

Loans and receivables at year-end

In thousands of euros	2017	2016
Private and commercial sector (retail)		
Mortgages	2,769,714	2,602,180
Securitised mortgages	1,692,385	1,909,834
Other loans and receivables	34,850	51,366
Subtotal	4,496,950	4,563,380
Corporate loans and loans > EUR 1 million	49,576	50,789
Total	**4,546,526**	**4,614,170**

The base adjustment of mortgages in hedge accounting at year-end 2017 is EUR 9.6 million (2016: EUR 26.9 million). This amount is included in the line item Mortgages.

In the following tables information about arrears and provisions is provided.

Loans and receivables at year-end

In thousands of euros	Private and commercial sector (retail)			Corporate loans and loans > EUR 1 million	Total 2017
	Standard mortgages	Securitised mortgages	Other loans and receivables		
Loans and receivables without arrears	2,745,699	1,683,816	30,168	48,491	4,508,174
Loans and receivables in arrears, no provision formed	10,244	5,490	1,868	-	17,602
Loans and receivables in arrears, provision formed	15,587	3,321	10,591	1,485	30,984
Gross total	2,771,529	1,692,627	42,627	49,976	4,556,760
Accumulated impairment					
At 1 January	2,901	405	8,365	400	12,071
Impairment charges during the period	708	-	3,018	-	3,726
Reversal of impairment charges during the year	-1,793	-163	-2,072	-	-4,029
Disposals	-	-	-1,534	-	-1,534
Other	-	-	-	-	-
At 31 December	1,815	242	7,777	400	10,234
Total	**2,769,714**	**1,692,385**	**34,850**	**49,576**	**4,546,526**

Loans and receivables at prior year-end

In thousands of euros	Private and commercial sector (retail)			Corporate loans and loans > EUR 1 million	Total 2016
	Standard mortgages	Securitised mortgages	Other loans and receivables		
Loans and receivables without arrears	2,569,388	1,897,556	45,820	49,712	4,562,476
Loans and receivables in arrears, no provision formed	9,928	7,894	2,735	-	20,558
Loans and receivables in arrears, provision formed	25,765	4,788	11,176	1,477	43,207
Gross total	2,605,081	1,910,239	59,731	51,189	4,626,241
Accumulated impairment					
At 1 January	3,195	469	7,701	2,446	13,810
Impairment charges during the period	1,585	-	4,341	155	6,082
Reversal of impairment charges during the year	-2,030	-63	-2,556	-738	-5,388
Disposals	-	-	-1,120	-1,313	-2,434
Other	150	-	-	-150	-
At 31 December	2,901	405	8,365	400	12,071
Total	**2,602,180**	**1,909,834**	**51,366**	**50,789**	**4,614,170**

Securitisations

In 2014, Delta Lloyd Bank securitised its mortgage portfolio for EUR 1,619.4 million as part of the Arena NHG 2014-I/II programs and in June 2016 for EUR 622.6 million as part of the Arena NHG 2016-I program. The securitised mortgages of EUR 1,692.6 million at year-end 2017 are encumbered assets to the note holders (2016: EUR 1,910.2 million).

Assignments

Delta Lloyd Bank acquired EUR 377.6 million of mortgages from other group companies by assignment (including new business) in 2017 (2016: EUR 849.2 million). See section 'Related party transactions' for further information.

Loans and receivables in arrears

A scheme of settlement is sometimes agreed for loans where the borrower is in arrears with interest payments or repayments of principal. While there are arrears compared with the original terms, these loans remain classified as 'loans and receivables in arrears'.

The table below shows loans and receivables with arrears on payments of interest and/or principal. Loans and receivables in arrears for which a provision has been formed include both loans and receivables for which a collective provision has been formed, and loans that have been assessed and provided for on a case-by-case basis. The gross value of loans and receivables for which individual provisions have been formed was EUR 1.5 million (2016: EUR 2.4 million). The impairment applied was EUR 0.4 million (2016: EUR 0.5 million). The value of the collateral was EUR 1.1 million (2016: EUR 1.9 million). The collateral comprises mainly mortgaged property. Virtually no accrued interest income has been recognised on loans and receivables to which an individual impairment has been applied.

All impairment on loans and receivables is accounted for as a movement in the provision; no loans and receivables have been written down directly through the income statement.

Loans and receivables in arrears at year-end

In thousands of euros	Private and commercial sector (retail)			Corporate loans and loans > EUR 1 million	Total 2017
	Standard mortgages	Securitised mortgages	Other loans and receivables		
Loans and receivables in arrears, no provision formed					
Less than 90 days	9,682	5,301	1,522	-	16,505
90 days or more	562	189	346	-	1,097
Gross total	**10,244**	**5,490**	**1,868**	**-**	**17,602**
Fair value of collateral	9,768	5,235	-	-	15,003
Loans and receivables in arrears, provision formed					
Net amount receivable	13,772	3,079	2,814	1,085	20,750
Fair value of collateral	13,132	2,936	-	-	16,067

Loans and receivables in arrears at prior year-end

In thousands of euros	Private and commercial sector (retail)			Corporate loans and loans > EUR 1 million	Total 2016
	Standard mortgages	Securitised mortgages	Other loans and receivables		
Loans and receivables in arrears, no provision formed					
Less than 90 days	9,768	7,654	2,533	-	19,955
90 days or more	160	240	203	-	602
Gross total	**9,928**	**7,894**	**2,735**	**-**	**20,558**
Fair value of collateral	9,115	7,248	-	-	16,363
Loans and receivables in arrears, provision formed					
Net amount receivable	22,864	4,383	2,811	1,077	31,136
Fair value of collateral	20,992	4,024	-	-	25,016

Forbearance

It is often more beneficial, for the bank, as well as for the client, to restructure the loans rather than to recover the loans and take possession of the available collateral. The contracts of such clients may be modified at non-commercial terms to avoid foreclosure. The process of making concessions for clients, with the purpose of keeping them afloat, is referred to as ‘forbearance’.

Delta Lloyd Bank commits to proactively helping customers prevent and resolve their financial difficulties. This commitment stems from Delta Lloyd Bank's duty of care to its customers throughout the entire mortgage product cycle. Forbearance measures are taken in cases where customers are temporarily experiencing:

- Double housing costs by offering, under strict conditions, the option to rent out the property
- The threat of getting into financial difficulty by providing information offering temporary or permanent solutions
- Financial problems resulting from a permanent decrease in income by restructuring the mortgage

Delta Lloyd Bank considers a forborne asset to be a contract under which the counterparty experiences (or is about to face) financial difficulty and for which the terms and conditions of the contract have been modified or the contract has been refinanced by Delta Lloyd Bank due to these financial difficulties on such terms that the bank would not have agreed to (concession) if the counterparty had been financially healthy. An asset becomes a non-performing asset when one of its loan parts is at least three months past due.

A forborne asset will only cease to qualify as forborne once all of the following conditions are met:

- The contract is considered performing
- A minimum probation period of two years has passed from the date the forborne contract was considered performing
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period
- The counterparty does not have any contract that is more than 30 days past due at the end of the probation period

If a forbearance measure is applied to a performing client, the client stays forborne for at least two years. If a forbearance measure is applied to a non-performing client, the client stays forborne for at least three years. During this period, the asset will continue to be reported as forborne.

The table below provides an overview of the gross carrying amount of loans and receivables of which measures have been taken to diminish financial difficulties of customers, or the risk of financial difficulties.

Overview of forborne assets at year-end

In thousands of euros		Performing assets		Non-performing assets			
	Gross carrying amount	Temporary modification	Permanent modification	Temporary modification	Permanent modification	Total forborne assets	Forbearance ratio
Loans and receivables	4,462,100	20,036	19,820	4,740	1,953	46,548	1.0%
Total	**4,462,100**	**20,036**	**19,820**	**4,740**	**1,953**	**46,548**	**1.0%**

Overview of forborne assets at prior year-end

In thousands of euros		Performing assets		Non-performing assets			
	Gross carrying amount	Temporary modification	Permanent modification	Temporary modification	Permanent modification	Total forborne assets	Forbearance ratio
Loans and receivables	4,512,014	24,366	12,741	7,391	302	44,799	1.0%
Total	**4,512,014**	**24,366**	**12,741**	**7,391**	**302**	**44,799**	**1.0%**

Forborne assets have been recorded since 2014. As mortgage loans have a long duration, the total amount of forborne assets is expected to increase because the forborne assets of past periods can continuously remain part of the total outstanding balance. Most of the 2014, 2015 and 2016 forborne assets are also included in the balance at year-end 2017.

3.7.17 Property and equipment

Owner-occupied properties (including those under construction) and equipment are carried at historical cost less accumulated depreciation and impairment. Depreciation and impairment are accounted for through profit or loss. The historical cost of assets which take a long time to develop, and owner-occupied properties in particular, also include capitalised borrowing costs.

Depreciation of property and equipment to their residual values is calculated on a straight-line basis over their estimated useful lives (equipment: ten years).

The useful life and residual value are reviewed once a year. If the estimated values deviate from previous estimates, adjustments are made.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the impairment is taken to the income statement. Gains and losses on the disposals of property and equipment, representing the difference between the sales price and the carrying value, are taken to the income statement in the period in which the property or equipment is sold.

Repairs and maintenance are charged to the income statement in the financial period to which they relate. The cost of major renovations is included in the carrying amount of the asset when it is probable that additional future economic benefits from the existing asset will flow to Delta Lloyd Bank. Major renovations are depreciated over the remaining useful life of the asset concerned.

Property and equipment at year-end

In thousands of euros	2017	2016
Equipment	225	275
Total	**225**	**275**

Carrying value of property and equipment at year-end

In thousands of euros	2017	2016
Cost	498	498
Accumulated depreciation	-273	-223
Total carrying value	**225**	**275**

3.7.18 Other assets

Other assets at year-end

In thousands of euros	2017	2016
Other assets	2,358	2,047
Total	**2,358**	**2,047**

3.7.19 Prepayments and accrued income

Prepayments and accrued income at year-end

In thousands of euros	2017	2016
Accrued interest	3,606	4,372
Total	**3,606**	**4,372**

3.7.20 Equity

Statement of changes in share capital

In thousands of euros	2017	2016
At 1 January	35,000	35,000
Changes	-	-
At 31 December	**35,000**	**35,000**
Number of shares	500,000	500,000

Statement of changes in share premium

In thousands of euros	2017	2016
At 1 January	281,667	244,167
Additions	-	37,500
At 31 December	**281,667**	**281,667**

Statement of changes in revaluation reserves

In thousands of euros	2017	2016
At 1 January	-1,937	-2,185
Unrealised gains/losses from changes in fair value	1,256	188
Fair value gains/losses transferred to income as a result of disposal	-	-85
Impairment losses transferred to income statement	-	227
Income tax effects	-314	-83
At 31 December	**-995**	**-1,937**

The revaluation reserves included gains and losses as a result of changes in the fair value of financial assets available for sale, less deferred tax liabilities. If an investment is disposed of or redeemed by the debtor, the accumulated result on that investment is transferred from the revaluation reserve of assets held for sale to the income statement.

Statement of changes in other reserves

In thousands of euros	2017	2016
At 1 January	-132,698	-135,787
Transfer from retained earnings (result prior year)	14,474	3,093
Other movements	-6	-4
At 31 December	**-118,230**	**-132,698**

The other reserves are freely distributable insofar as they exceed the deficit on the reserve of assets held for sale, the deficit on retained earnings and the solvency requirement. At 31 December 2017, the freely distributable portion of the other reserves was nil (2016: nil).

'Other movements' relate to a donation to a charity by the unwinding of a special purpose entity.

Statement of changes in equity compensation plan

In thousands of euros	2017	2016
At 1 January	217	302
Changes in conditional shares granted	-217	-85
At 31 December	**-**	**217**

Statement of changes in retained earnings

In thousands of euros	2017	2016
At 1 January	14,474	3,093
Net result	-814	14,474
Transfer to other reserves	-14,474	-3,093
At 31 December	**-814**	**14,474**

Proposed appropriation of result

The result is appropriated pursuant to article 31 of Delta Lloyd Bank's articles of association, the relevant provisions of which state that the General Meeting shall determine the appropriation of result. As a result of the legal merger it is proposed to deduct the loss of EUR 0.8 million from the other reserves of NN Bank.

3.7.21 Amounts owed to banks

Amounts owed to banks at year-end

In thousands of euros	2017	2016
Demand deposits	130,021	965
Total	**130,021**	**965**

The increase in amounts owed to banks is due to a short-term intercompany loan of EUR 130 million received from NN Bank N.V.

3.7.22 Funds entrusted

Funds entrusted at year-end

In thousands of euros	2017	2016
Demand savings deposits	872,060	870,171
Time savings deposits	2,089,377	1,956,554
Total savings accounts	2,961,437	2,826,726
Demand accounts	77,952	187,210
Deposits	526,529	595,116
Total other funds entrusted	604,481	782,327
Total	**3,565,917**	**3,609,052**

Sector analysis at year-end

In thousands of euros	2017	2016
Private sector	3,534,896	3,463,644
Commercial sector	31,022	145,408
Total	**3,565,917**	**3,609,052**

The '*banksparen*' balance amounts to EUR 2,316.0 million (2016: EUR 2,219.7 million). This is included in the 'time savings deposits' and 'deposits' amounts.

3.7.23 Securitised mortgage loan notes

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

Securitised mortgage loan notes at amortised cost at year-end

In thousands of euros	2017	2016	Contract maturity date	Anticipated maturity date	Interest rate
Arena NHG 2014-I	545,652	620,818	04/2046	04/2019	floating and fixed, range 0.3% - 1.1%
Arena NHG 2014-II	564,079	650,491	04/2046	04/2020	floating and fixed, range 0.1% - 0.8%
Arena NHG 2016-I	525,202	587,843	07/2048	06/2021	floating and fixed, range 0.0% - 0.3%
Eliminations of notes own book	-285,400	-285,400			
Total	**1,349,533**	**1,573,752**			

A part of the mortgage portfolio of Delta Lloyd Bank is pooled and transferred to special purpose vehicles (securitisation companies). To fund the acquisition of the mortgages, these special purpose vehicles (SPVs) issue notes known as Arena notes. The notes have been issued on the basis that the note holders are only entitled to receive payment of principal and interest to the extent to which the available resources of the securitisation companies concerned are sufficient. This is including funds due from customers regarding the securitised loans. Delta Lloyd Bank has no right or obligation to repurchase the liabilities prior to the optional call date, except if, in certain circumstances, they are in breach of representation and/or warranties.

The notes are mortgage collateralised. The tranches of the notes at the SPVs with the highest risk (B-tranches) were retained by Delta Lloyd Bank.

The repayment of the borrowings amounts to EUR 225.2 million and the amortisation of the capitalised issuer expenses amounts to EUR 1.0 million.

3.7.24 Income taxes

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

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

In 2017, Delta Lloyd Bank was added to the Dutch fiscal unity of NN Group for corporation tax purposes, making it jointly and severally liable for the total tax payable by the fiscal unity. Within the Dutch fiscal unity, the former Delta Lloyd group companies operate under the general Dutch fiscal policies, whereas NN Bank operates under an IFRS ruling. NN Group will proceed to settlement with Delta Lloyd Bank as if it were a separate tax entity. The tax assets and liabilities are receivables and payables from and to NN Group.

Statement of changes in current tax liabilities

In thousands of euros	2017	2016
At 1 January	1	207
Charged to income statement	8,338	10,726
Internal transfer related to the corporate tax entity	-9,066	-10,933
At 31 December	**-728**	**1**

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

In thousands of euros	2017	2016
Loans and receivables	25,014	38,920
Financial assets and derivatives	-422	-6,000
Total	**24,592**	**32,920**

Statement of changes in deferred tax liabilities

In thousands of euros	2017	2016
At 1 January	32,920	38,729
Change due to amortisation mortgage premium	-8,641	-5,892
Movement in revaluation reserves	314	83
At 31 December	**24,592**	**32,920**

Reconciliation nominal and effective tax rate

In thousands of euros	2017	2016
Result before tax	-1,117	19,310
Nominal tax rate	25.0%	25.0%
Tax calculated at nominal tax rate	279	-4,827
Adjustments		
- expenses not deductible for tax	24	-8
Total tax charged to income statement	**303**	**-4,835**
Effective tax rate	27.1%	25.0%

3.7.25 Other liabilities

Other liabilities at year-end

In thousands of euros	2017	2016
Costs payable	1,354	3,108
Other	25,363	10,615
Total	**26,717**	**13,723**

The costs payable are lower due to contributions to the Deposit Guarantee Scheme and restructuring of the pension scheme in 2016.

The other liabilities are higher mainly due to higher deposits of customers at the end of the year. These deposits have to be processed.

3.7.26 Accruals and deferred income

Accruals and deferred income at year-end

In thousands of euros	2017	2016
Accrued interest	12,797	14,692
Total	**12,797**	**14,692**

3.7.27 Provisions

Provisions are recognised if Delta Lloyd Bank has a present legal or constructive obligation resulting from past events, if it is probable it will require an outflow of resources to settle the obligation and if a reliable estimate of the scope of the obligation can be made.

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

Provisions at year-end

In thousands of euros	2017	2016
Restructuring costs	5,032	-
Other provisions	-	117
Total	**5,032**	**117**

Restructuring costs

In autumn 2017, it was announced to integrate Delta Lloyd Bank in NN Bank, which will lead to efficiency in products and services and to redundancy in employees. The personnel was informed and the Works Council issued their advice to the management of NN Bank. Subsequently, the individual employees were informed about their placement in the integrated bank. The restructuring costs amount to EUR 5.5 million of which EUR 5.0 million is recognised as a provision and the remainder as a liability. The reorganisation provision at the balance sheet date represents the best estimate of the expected future redundancy costs for the next year and is expected to be sufficient to cover the remaining costs of the restructuring programme.

Other provisions

Due to the integration, the employee share option is ended by 31 March 2017. The remainder of the plan amounted to EUR 0.1 million is accounted for as an other liability.

Statement of changes in provisions

In thousands of euros	Restructuring provisions	Other provisions	Total
At 1 January 2016	-	158	158
Additional provision made in the year	-	105	105
Withdrawal from provision during the year	-	-125	-125
Unused amounts released	-	-21	-21
At 31 December 2016	-	117	117
Additional provision made in the year	5,491	25	5,516
Transfer to other liabilities	-459	-118	-577
Unused amounts released	-	-24	-24
At 31 December 2017	**5,032**	**-**	**5,032**

3.7.28 Subordinated loans

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

Statement of changes in subordinated loans

In thousands of euros	2017	2016
At 1 January	12,000	42,000
Repayments of subordinated loans	-	-30,000
At 31 December	**12,000**	**12,000**

Subordinated loans at year-end

In thousands of euros	Interest	Maturity	2017	2016
Athene Lebensversicherung AG	6.00%	2009-2019	12,000	12,000
Total			**12,000**	**12,000**

The loans are subordinated to all existing and future liabilities entered into by Delta Lloyd Bank; no early or partial repayment is permitted unless parties reach a new agreement and the regulator grants approval.

The interest rate on the outstanding subordinated loan was 6.0% (2016: 6.0%). The interest charges connected with the subordinated loans in 2017 were EUR 0.7 million (2016: EUR 1.7 million).

As in 2016, Delta Lloyd Bank encountered no problems meeting payments of interest and principal on the subordinated debt in the reporting period and other contractual obligations in respect of the subordinated debt.

3.7.29 Off-balance sheet positions

Off-balance sheet commitments

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

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

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are recognised as operating leases. Payments made as lessee under operating leases (net of any incentives received from the lessor) are recognised in the income statement on a straight-line basis over the lease period, unless another systematic basis is more representative of the time pattern in which users benefit. There are no financial leases affecting Delta Lloyd Bank as either lessor or lessee.

Off-balance sheet liabilities comprise contingent liabilities and commitments under the rental for the office building.

Contingent liabilities include all transactions in which Delta Lloyd Bank issued guarantees for liabilities entered into by third parties. The likelihood of an outflow of cash and cash equivalents is minimal.

The irrevocable facilities of EUR 31.4 million encompass all facilities that could involve credit risk for Delta Lloyd Bank. The irrevocable facilities include largely unused overdraft facilities that are repayable on demand.

There are no assignment transactions of new mortgage production.

The commitments under the rental for the office building are set out in the table below. All contracts may be renewed. There is no sub-letting to third parties.

Off-balance sheet liabilities at year-end

In thousands of euros	Within one month	Between one and three months	Between three months and a year	Between one and five years	More than five years	Not stated	Total 2017
Guarantees	-	-	-	-	807	-	807
Irrevocable (credit) facilities	-	-	-	-	-	31,417	31,417
Construction deposits	1,422	2,843	12,795	-	-	-	17,061
Operational lease commitments	51	102	461	2,585	1,315	-	4,515
Total	**1,473**	**2,946**	**13,257**	**2,585**	**2,122**	**31,417**	**53,800**

Off-balance sheet liabilities at prior year-end

In thousands of euros	Within one month	Between one and three months	Between three months and a year	Between one and five years	More than five years	Not stated	Total 2016
Guarantees	-	-	-	-	807	-	807
Irrevocable (credit) facilities	-	-	-	-	-	34,168	34,168
Mortgages	42,324	47,706	-	-	-	-	90,030
Construction deposits	1,935	3,869	17,411	-	-	-	23,214
Operational lease commitments	51	102	461	2,585	2,019	-	5,219
Total	**44,310**	**51,677**	**17,872**	**2,585**	**2,826**	**34,168**	**153,438**

Rental charges of EUR 0.6 million (2016: EUR 0.6 million) were recognised in the income statement.

3.7.30 Related party transactions

Transactions within NN Group

The activities of NN Group, which includes Delta Lloyd Bank, cover a wide range of financial services. These services are provided to members of the group at arm’s length terms. Intergroup transactions consist of regular financing activities, insurance, mortgage and investment product distribution activities and other services.

Related-party transactions

	NN Group N.V.		Other parties NN Group	
In thousands of euros	2017	2016	2017	2016
Interest income	-	-	1,303	3,076
Interest expense	-	955	309	671
Commission income	-	-	28,265	26,727
Commission expense	-	-	627	692
Other income	120	145	601	25,541
Other administrative expenses	3,375	2,164	12,907	17,289
Receivables	-	-	10,298	7,186
Liabilities	4,722	10,949	150,667	31,967

NN Group and Delta Lloyd have joined forces in the Netherlands and Belgium. On 1 June 2017, NN Group established a legal merger to effectively achieve full ownership of the Delta Lloyd group. From that date, Delta Lloyd N.V. was no longer a listed company and ceased to exist.

The principal legal entities in other NN Group parties are Amstelhuys N.V., Delta Lloyd Levensverzekering N.V., Delta Lloyd Houdstermaatschappij Verzekeringen N.V., NN Investment Partners B.V., NN Insurance Belgium N.V., Delta Lloyd Services B.V. and NN Bank N.V.

Interest income and expense, receivables and liabilities

Delta Lloyd Bank provides banking services to various members of NN Group and these lead to receivables and liabilities. The increase in liabilities is mainly due to a short-term intercompany loan of EUR 130 million received from NN Bank N.V.

Commission income

Revenue from financial services has been recognised as commission income since 2010. This commission income is a fee for servicing the mortgage portfolio, mortgage origination and corporate and treasury services. This revenue was EUR 25.8 million in 2017 (2016: EUR 24.1 million). Other commission income is mainly made up of fees for servicing Delta Lloyd Levensverzekering N.V.'s mortgages and for distributing NN Investment Partners B.V.'s investment products.

Other income

Delta Lloyd Bank performs work connected with offering, concluding and managing private mortgage loans and related insurance products issued. The revenue from these services totalled EUR 0.7 million (2016: EUR 0.8 million).

Main other administrative expenses

Delta Lloyd Bank has outsourced its ICT infrastructure to NN Group. The related costs were EUR 3.6 million (2016: EUR 6.3 million).

Delta Lloyd Bank has a contract with Delta Lloyd Levensverzekering N.V.'s Facility Services Center for accommodation, catering, printing, security and postage services. The related costs were EUR 2.5 million (2016: EUR 3.1 million).

Delta Lloyd Bank's marketing and sales were partly performed by the Customer & Commerce unit of NN Group in 2017. The related costs were EUR 3.3 million (2016: EUR 3.5 million).

Assignments

In 2011, it was decided to transfer mortgages from Amstelhuys N.V. to Delta Lloyd Bank by assignment as part of asset and liability management. In 2017, mortgages worth gross EUR 377.6 million (2016: EUR 654.2 million) were assigned to Delta Lloyd Bank through various increases and the assignment of new business. In 2017 no assignment transaction of existing mortgages took place.

Remuneration of directors

Salaries, variable remuneration and pension charges

The remuneration package for Management Board members has three components: the base salary, a variable incentive plan and a pension plan.

Variable incentive plans

As from 1 January 2017, Delta Lloyd Bank had two equity-settled, share-based and performance-related incentive plans. (Variable Incentive Plan for identified staff and Variable Incentive Plan for other managers). Due to NN Group's takeover of Delta Lloyd, both plans ended by 31 March 2017. The remainder of the plans amounted to EUR 0.2 million and is accounted for as an other liability. The vesting of the remaining grants is subject to set performance criteria and continued employment at Delta Lloyd on the vesting date. If employment is terminated, the grants lapse immediately, except in a situation in which the employee leaves as a result of early retirement, disability, death or because the entity for which the employee works is no longer part of Delta Lloyd. In this last case, the grants vest immediately and become exercisable for a period of one year, after which they lapse.

The variable remuneration plans were administered by Delta Lloyd and recharged to Delta Lloyd Bank. Transactions under the plans are recognised in the results of Delta Lloyd Bank at the time they were granted by Delta Lloyd.

Remuneration of board members

In euros	2017	2016
Short-term employee benefits	292,540	486,720
Post-employment benefits	91,658	111,937
Other long-term benefits	-	6,153
Share-based payments expenses	13,769	- 15,743
Termination benefits	459,000	-
Total	**856,967**	**589,067**

Remuneration of the members of the Management Board is recognised in the profit and loss account in 'Staff costs'. During 2017 new members of the Management Board were appointed and resigned due to the integration with NN Bank. As per the date of integration the Management Board is responsible for both NN Bank and Delta Lloyd Bank. As per the date of appointment the Management Board members hold remunerated positions within the new combined organisation. The related remuneration costs are allocated within NN Bank and not allocated to Delta Lloyd Bank.

None of the individual board members has a remuneration above EUR 1 million.

Loans, advances and guarantees

There were no outstanding amounts for loans, advances or guarantees to directors at the reporting date (2016: nil).

Remuneration of the Supervisory Board

The remuneration (including value added tax) of the external members of the Supervisory Board was EUR 58,000 (2016: EUR 58,000). The Management Board members of Delta Lloyd received no additional remuneration for their membership of the Supervisory Board of Delta Lloyd Bank.

3.7.31 Fair value of assets and liabilities

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

Published prices in active markets ('Level 1')

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

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

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

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

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

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

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

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

Assets and liabilities at year-end

In thousands of euros	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Cash and balances with central banks	396,196	396,196	396,196	-	-
Due from other banks	118,090	118,090	-	118,090	-
Derivatives	6,271	6,271	-	6,271	-
Financial assets available for sale	269,308	269,308	269,308	-	-
Loans and receivables	4,546,526	4,849,382	-	4,849,382	-
Property and equipment	225	225	-	225	-
Other assets	2,358	2,358	-	2,358	-
Accrued interest and prepayments	3,606	3,606	3,173	433	-
Total assets	**5,342,581**	**5,645,438**	**668,678**	**4,976,760**	**-**
Amounts owed to banks	130,021	130,021	130,021	-	-
Funds entrusted	3,565,917	3,895,824	924,932	2,970,893	-
Securitised mortgage loan notes	1,349,533	1,361,147	851,261	509,886	-
Derivatives	20,071	20,071	-	20,071	-
Subordinated loans	12,000	12,567	-	12,567	-
Total liabilities	**5,077,542**	**5,419,631**	**1,906,214**	**3,513,417**	**-**

Assets and liabilities at prior year-end

In thousands of euros	Total carrying value	Total fair value	Level 1	Level 2	Level 3
Cash and balances with central banks	386,297	386,297	386,297	-	-
Due from other banks	127,138	127,138	-	127,138	-
Derivatives	7,228	7,228	-	7,228	-
Financial assets available for sale	349,225	349,225	331,820	-	17,405
Loans and receivables*	4,614,170	4,923,169	-	4,923,169	-
Property and equipment	275	275	-	275	-
Other assets	2,047	2,047	-	2,047	-
Accrued interest and prepayments	4,372	4,372	3,868	505	-
Total assets	**5,490,752**	**5,799,751**	**721,985**	**5,060,362**	**17,405**
Amounts owed to banks	965	965	965	-	-
Funds entrusted*	3,609,052	3,982,305	1,014,996	2,967,309	-
Securitised mortgage loan notes	1,573,752	1,588,459	1,077,871	510,589	-
Derivatives	36,806	36,806	-	36,806	-
Subordinated loans	12,000	12,525	-	12,525	-
Total liabilities	**5,232,576**	**5,621,060**	**2,093,832**	**3,527,228**	**-**

* Due to the merger with NN Bank, Delta Lloyd Bank's fair value calculation of loans and receivables and funds entrusted is based on NN principles. Comparative figures have been adjusted accordingly.

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

Assets

Financial instruments (debt securities, equity securities and derivatives)

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

Loans and receivables

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

Property and equipment

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

Cash, due from other banks and other financial assets

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

Liabilities

Amounts owed to banks

The carrying value of amounts owed to banks is regarded as a good approximation of the fair value, as these liabilities have a short-term nature.

Funds entrusted

The estimated fair value of funds entrusted without a fixed maturity date, including non-interest-bearing balances, is their nominal value. The fair value of funds entrusted with a fixed interest rate and other loans that are not traded in an active market is estimated from the present value of the future cash flows.

Securitised mortgage loan notes

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

Subordinated loans

The fair value of subordinated loans is estimated by discounting future cash flows.

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

Statement of changes in financial assets available for sale within level 3

In thousands of euros	2017	2016
At 1 January	17,405	5
Changes in fair value recognised through equity	351	-156
Transfer into level 3	-	17,556
Transfer out of level 3	-17,756	-
At 31 December	**-**	**17,405**

Because of a daily quotation by Bloomberg, the debt security Cordusio was transferred from level 3 into level 1 in 2017.

The level 3 debt security H.E.A.T.M., which was impaired for EUR 0.5 million, has been sold in 2017.

Total unrealised revaluation losses on the assets classified in level 3 at year-end 2017 were EUR 0.0 million (2016: EUR 2.6 million) and were recognised in revaluation reserves available for sale. The impairment at year-end 2017 of assets classified in level 3 was EUR 0.0 million (2016: EUR 0.5 million).

Sensitivity analysis level 3

In thousands of euros	Significant non-observable assumptions	Impact on result 2017	Impact on equity 2017	Impact on result 2016	Impact on equity 2016
Debt securities	Liquidity premium +/- 0.5%	-	-	-	65

Contingent liabilities and future commitments

Fair value of contingent liabilities and future commitments

In thousands of euros	2017	2016
Guarantees	807	807
Irrevocable (credit)facilities	48,477	147,412
Total	**49,284**	**148,219**

In 2017, Delta Lloyd Bank was added to the Dutch fiscal unity of NN Group for corporation tax purposes, making it jointly and severally liable for the total tax payable by the fiscal unity.

3.7.32 Transferred financial assets

Securities sold under repurchase agreements are reclassified as related assets in the financial statements if the recipient is entitled by custom or contract to sell or offer the collateral as security. This obligation towards the counterparty is recognised as other liabilities to banks, bank deposits, other funds entrusted or deposits due to customers. Securities purchased under re-sale agreements (reverse repos) are recognised as loans and advances to other banks or customers. The difference between the selling price and the repurchase price is accounted for as interest using the effective interest rate method over the term of the contract. Lent securities are also recognised in the financial statements as beneficial ownership of these securities is retained.

This disclosure provides insight into the relationship between these transferred financial assets and associated financial liabilities in order to understand which risks the bank is exposed to when the assets are transferred.

The tables below reflect the transferred financial assets.

Transferred financial assets at year-end

In thousands of euros	2017	2016
Carrying amount of assets	1,692,627	1,910,239
Carrying amount of associated liabilities	-1,634,933	-1,859,152
Total net carrying amount	**57,695**	**51,087**
Fair value of assets	1,884,627	2,141,084
Fair value of associated liabilities	-1,646,547	-1,873,859
Total net fair value	**238,080**	**267,225**

The transferred financial assets relate to the Arena NHG 2014-I, Arena NHG 2014-II and Arena 2016-I securitisations.

The securitised mortgages of EUR 1,692.6 million at year-end 2017 are encumbered assets to the note holders (2016: EUR 1,910.2 million) and are therefore restricted financial assets to Delta Lloyd Bank.

The notes are mortgage collateralised. Delta Lloyd Bank retained the tranches of the notes at the SPVs with the highest risk (B-tranches). Delta Lloyd Bank remains therefore exposed to the majority of the residual risks and rewards of the transferred financial assets.

The carrying amount of the liabilities includes the notes of the mortgage securitisation held as own book. The own book positions are eliminated for an amount of EUR 285.4 million (2016: EUR 285.4 million).

Delta Lloyd Bank does not derecognise securitised mortgages; see section 3.6 'Consolidation principles'. For more information about securitised mortgages and related liabilities see section 3.7.23 'Securitised mortgage loan notes'.

3.7.33 Authorisation of the Consolidated annual accounts

The Consolidated annual accounts of Delta Lloyd Bank for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Management Board of NN Bank on 24 April 2018. The Management Board of NN Bank may decide to amend the Consolidated annual accounts as long as these are not adopted by the General Meeting of NN Bank.

The General Meeting of NN Bank may decide not to adopt the Consolidated annual accounts, but may not amend these during the meeting. The General Meeting of NN Bank can decide not adopt the Consolidated annual accounts, propose amendments and then adopt the Consolidated annual accounts after a normal due process.

The Hague, 24 April 2018

The Management Board of NN Bank

E. (Erik) Muetstege, CEO and chair

J.E. (Sandra) van Eijk, CFO

M.E. (Monique) Tailor-Hemerijck, CRO

A.J.M. (Marcel) Zuidam, CTO

The Supervisory Board of NN Bank

H.G.M. (Hein) Blocks, chair

A.A.G. (André) Bergen

J.H. (Jan-Hendrik) Erasmus

D.E. (David) Knibbe

D. (Delfin) Rueda

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

4 SEPARATE FINANCIAL STATEMENTS

4.1 Separate income statement

Separate income statement

In thousands of euros		2017	2016
Interest income	3.7.3	96,779	112,693
Interest expense	3.7.3	-59,758	-72,914
Net interest income	3.7.3	37,021	39,780
Commission income	3.7.4	31,129	29,623
Commission expense	3.7.4	-4,373	-4,385
Net commission income	3.7.4	26,756	25,238
Net trading income	3.7.5	-	28
Result from derivatives and hedge accounting	4.3.7	-229	-4,706
Realised gains and losses on investments classified as available for sale	3.7.7	-	85
Impairment of investments classified as available for sale	3.7.7	-	-227
Result from financial transactions		-229	-4,820
Other income	3.7.8	721	25,686
Total income		64,269	85,883
Staff costs	3.7.9	26,278	27,639
Other administrative expenses	3.7.9	38,929	37,723
Staff costs and other administrative expenses	3.7.9	65,207	65,362
Depreciation property and equipment	3.7.10	50	50
Impairment of loans and receivables	3.7.11	-302	825
Total expenses		64,955	66,236
Result before tax		**-686**	**19,647**
Income tax	4.3.8	195	-4,920
Net result		**-491**	**14,727**
Attributable to:			
Delta Lloyd Bank N.V. shareholder		-491	14,727

The notes 4.3.7 - 4.3.8 (in numerical order) are an integral part of these separate financial statements. For the notes 3.7.3- 3.7.11 see the consolidated financial statements for more information.

4.2 Separate statement of financial position

Separate statement of financial position before appropriation of profit

In thousands of euros		31 December 2017	31 December 2016
Cash and balances with central banks	3.7.12	396,196	386,297
Due from other banks	3.7.13	118,090	127,138
Derivatives	4.3.1	6,200	6,726
Financial assets available for sale	3.7.15	269,308	349,225
Loans and receivables	3.7.16	4,546,526	4,614,170
Participating interests in group companies	4.3.2	-	159
Property and equipment	3.7.17	225	275
Current tax assets	3.7.24	728	-
Deferred tax assets	4.3.3	18	125
Other assets, prepayments and accrued income	4.3.4	5,964	6,261
Total assets		**5,343,256**	**5,490,376**
Share capital	4.3.5	35,000	35,000
Share premium	4.3.5	281,667	281,667
Revaluation reserves	4.3.5	-995	-1,937
Other reserves	4.3.5	-118,606	-133,327
Equity compensation plan	4.3.5	-	217
Retained earnings	4.3.5	-491	14,727
Total shareholders' funds	4.3.5	196,576	196,348
Amounts owed to banks	3.7.21	130,021	965
Derivatives	3.7.14	20,071	36,806
Funds entrusted	3.7.22	3,565,917	3,609,052
Borrowings	4.3.6	1,349,533	1,573,752
Current tax liabilities	3.7.24	-	1
Deferred tax liabilities	3.7.24	24,592	32,920
Other liabilities, accruals and deferred income	3.7.25 3.7.26	39,513	28,415
Provisions	3.7.27	5,032	117
Subordinated loans	3.7.28	12,000	12,000
Total liabilities		5,146,680	5,294,028
Total shareholders' funds and liabilities		**5,343,256**	**5,490,376**

The notes 4.3.1 - 4.3.6 (in numerical order) are an integral part of these separate financial statements. For the notes 3.7.12- 3.7.28 see the consolidated financial statements for more information.

4.3 Notes to the separate financial statements

General information

In 2017, Delta Lloyd Bank N.V. was a public limited liability company incorporated and headquartered in the Netherlands. Chamber of Commerce in Amsterdam, trade register no. 33191189. Its registered address was Omval 300, 1096 HP Amsterdam.

Accounting policies

The separate financial statements of Delta Lloyd Bank N.V. have been prepared in accordance with the legal requirements of Part 9 of Book 2 of the Dutch Civil Code.

The option to use the same accounting policies in the separate financial statements as in the consolidated financial statements, as described in section 2:362 of the Dutch Civil Code, has been exercised. Consequently, the accounting policies in the separate financial statements are the same as those presented in the consolidated financial statements.

SPVs

In 2014, Delta Lloyd Bank designed two mortgage-backed securitisations, and in June 2016 one mortgage-backed securitisation in which part of the mortgage portfolio of Delta Lloyd Bank is pooled and transferred to special purpose entities. Delta Lloyd Bank does not directly or indirectly hold shares in these entities. Delta Lloyd Bank has entered into interest rate caps with third parties to hedge the interest payment flows for the special purpose entities. Delta Lloyd Bank also fully services the securitised mortgages. Delta Lloyd Bank can therefore influence the returns (e.g. defaults of the mortgage portfolio). Part of the credit risk is transferred to the note holders, but the expected credit losses will be fully absorbed by the reserve built up in the special purpose entities of which the residual amount accrues to Delta Lloyd Bank. Delta Lloyd Bank remains exposed to the majority of the residual risks and rewards. Consequently, the securitised mortgages remain on the separate balance sheet of Delta Lloyd Bank.

In the separate financial statements the caps of the SPVs with third parties are not accounted for. Therefore the net result and equity of the separate financial statements differ from the net result and equity of the consolidated financial statements.

In the table on the next page an overview of the differences is provided.

Reconciliation consolidated and separate financial statements

In thousands of euros	Net result 2017	Equity 2017	Net result 2016	Equity 2016
Consolidated financial statements	**-814**	**196,629**	**14,474**	**196,724**
Difference in valuation of caps	323	-53	253	-376
Separate financial statements	**-491**	**196,576**	**14,727**	**196,348**

4.3.1 Derivatives

Derivatives at year-end

In thousands of euros	2017	2016
Derivatives - interest rate contracts	6,200	2,002
Derivatives - currency contracts	-	4,725
Total	**6,200**	**6,726**

4.3.2 Participating interests in group companies

Statement of changes in group companies

In thousands of euros	2017	2016
At 1 January	159	159
Subsidiaries ended	-159	-
At 31 December	**-**	**159**

Subsidiaries and associates over which Delta Lloyd Bank can exercise control are measured at net asset value. The net asset value is determined by measuring the assets, provisions and liabilities and calculating the net result using the same accounting policies applied in the consolidated financial statements.

Principal group companies

Delta Lloyd Bank Global Custody N.V. in Amsterdam (100%) was liquidated in 2017.

Loans, advances and guarantees

There were no outstanding amounts for loans, advances or guarantees to directors at the reporting date (2016: nil).

4.3.3 Deferred tax assets

Deferred tax assets at year-end

In thousands of euros	2017	2016
Derivatives	18	125
Total	**18**	**125**

4.3.4 Other assets, prepayments and accrued income

Other assets, prepayments and accrued income at year-end

In thousands of euros	2017	2016
Other assets	2,358	1,888
Accrued interest	3,606	4,372
Total	**5,964**	**6,261**

4.3.5 Equity

Regulations of the Dutch central bank (*De Nederlandsche Bank*/DNB) set requirements for the amount of equity. A bank's equity has to be compared with loans on and off the balance sheet. These loans are risk-weighted. The general requirement for regulatory capital is 8%.

Statement of changes in share capital

In thousands of euros	2017	2016
At 1 January	35,000	35,000
Changes	-	-
At 31 December	**35,000**	**35,000**
Number of shares	500,000	500,000

Statement of changes in share premium

In thousands of euros	2017	2016
At 1 January	281,667	244,167
Additions	-	37,500
At 31 December	**281,667**	**281,667**

Statement of changes in revaluation reserves

In thousands of euros	2017	2016
At 1 January	-1,937	-2,185
Unrealised losses from changes in fair value	1,256	188
Fair value gains transferred to income as a result of disposal	-	-85
Impairment losses transferred to the income statement	-	227
Income tax effects	-314	-83
At 31 December	**-995**	**-1,937**

Statement of changes in other reserves

In thousands of euros	2017	2016
At 1 January	-133,327	-136,848
Transfer from retained earnings	14,725	3,526
Other movements	-4	-4
At 31 December	**-118,606**	**-133,327**

Statement of changes in equity compensation plan

In thousands of euros	2017	2016
At 1 January	217	302
Changes in conditional shares granted	-217	-85
At 31 December	**-**	**217**

Statement of changes in retained earnings

In thousands of euros	2017	2016
At 1 January	14,727	3,526
Net result	-491	14,727
Transfer to other reserves	-14,727	-3,526
At 31 December	**-491**	**14,727**

As a result of the legal merger the proposal for appropriation of result is to deduct the loss of EUR 0.5 million from the other reserves of NN Bank.

For tax purposes, the entire share premium is regarded as paid up.

The other reserves are freely distributable provided they exceed the deficit on revaluation reserves. At 31 December 2017 the freely-distributable portion of the other reserves was nil (2016: nil).

4.3.6 Borrowings

Borrowings at year-end

In thousands of euros	2017	2016	Contract maturity date	Anticipated maturity date	Interest rate
SPV Arena NHG 2014-I	460,652	535,818	04/2046	04/2019	floating and fixed, range 0.3% - 1.1%
SPV Arena NHG 2014-II	477,079	563,491	04/2046	04/2020	floating and fixed, range 0.1% - 0.8%
SPV Arena NHG 2016-I	411,802	474,443	07/2048	07/2021	floating and fixed, range 0.0% - 0.3%
Total	**1,349,533**	**1,573,752**			

The carrying amount of the borrowings relate to the by the SPVs issued Arena NHG 2014-I notes, Arena NHG 2014-II notes and Arena NHG 2016-I notes. The notes are mortgage collateralised. The tranches of the notes at the SPVs with the highest risk (those that are first in line not to be paid out should credit problems occur) are held at own book. The own book positions are eliminated for an amount of EUR 285.4 million (2016: EUR 285.4 million).

4.3.7 Result from derivatives and hedge accounting

Result from derivatives and hedge accounting

In thousands of euros	2017	2016
Fair value hedge accounting		
Change in fair value of derivative financial instruments held for fair value hedge accounting	16,465	-16,905
Change in fair value of hedged loans and receivables held for fair value hedge accounting	-16,255	16,942
Amortisation of the fair value change of hedged loans and receivables	-996	-4,619
Total fair value hedge accounting	-787	-4,582
Change in fair value of other derivative financial instruments	351	-112
Change in fair value of foreign currency derivative financial instruments	207	-12
Total	**-229**	**-4,706**

4.3.8 Income taxes

Tax charged to the income statement in the financial year

In thousands of euros	2017	2016
Current tax	-8,338	-10,727
Deferred tax	8,534	5,807
Total	**195**	**-4,920**

4.3.9 Off-balance sheet commitments

Off-balance sheet liabilities at year-end

In thousands of euros	2017	2016
Guarantees	807	807
Irrevocable (credit) facilities	48,477	147,412
Operational lease commitments rental	4,515	5,219
Within one year	615	615
Between one and five years	2,585	2,585
More than five years	1,315	2,019
Total	**53,800**	**153,438**

4.3.10 Other information on the company

In 2017, Delta Lloyd Bank was added to the Dutch fiscal unity of NN Group for corporation tax purposes, making it jointly and severally liable for the total tax payable by the fiscal unity. Within the Dutch fiscal unity, the former Delta Lloyd group companies operate under the general Dutch fiscal policies, whereas NN Bank operates under an IFRS ruling.

4.3.11 Subsequent events

During 2017, Delta Lloyd Bank was a public limited company operating under the laws of the Netherlands. Until April 2017 it was fully owned by Delta Lloyd N.V. In April NN Group acquired the qualified majority of the shares of Delta Lloyd N.V. and Delta Lloyd Bank was fully owned by NN Group.

NN Bank entered into a legal merger with Delta Lloyd Bank. As a result of this merger, Delta Lloyd Bank ceased to exist as a separate entity and NN Bank acquired all assets and liabilities of Delta Lloyd Bank under universal title of succession, as per 1 January 2018.

4.3.12 Legal proceedings

General

NN Bank is involved in litigation and other binding proceedings involving claims by and against NN Bank that arise in the ordinary course of its business, including in connection with its activities as bank, investor and its position as employer and taxpayer. Such proceedings could entail that large or indeterminate amounts are sought. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, NN Bank is not aware of any proceedings against it that may have, or have in the recent past had, a significant effect on the financial condition, profitability or reputation of NN Bank.

However, on 6 February 2018 two consumer protection organisations (Consumentenbond and Vereniging Eigen Huis) publicly announced to start a trial process against Delta Lloyd claiming that prepayment penalties charged prior to 14 July 2016 should be recalculated and potentially be repaid to the borrowers. No claim has been received and legal proceedings have not yet been initiated. The outcome of such a trial process may negatively impact financial institutions and, thus, impact NN Bank's financial position, business, revenues, result of operations and prospects.

4.4 Authorisation of the Parent company annual accounts

The Parent company annual accounts of Delta Lloyd Bank for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Management Board of NN Bank on 24 April 2018. The Management Board may decide to amend the Parent company annual accounts as long as these are not adopted by the General Meeting of NN Bank.

The General Meeting of NN Bank may decide not to adopt the Parent company annual accounts, but may not amend these during the meeting. The General Meeting of NN Bank can decide not adopt the Parent company annual accounts, propose amendments and then adopt the Parent company annual accounts after a normal due process.

The Hague, 24 April2018

The Management Board of NN Bank

E. (Erik) Muetstege, CEO and chair

J.E. (Sandra) van Eijk, CFO

M.E. (Monique) Tailor-Hemerijck, CRO

A.J.M. (Marcel) Zuidam, CTO

The Supervisory Board of NN Bank

H.G.M. (Hein) Blocks, chair

A.A.G. (André) Bergen

J.H. (Jan-Hendrik) Erasmus

D.E. (David) Knibbe

D. (Delfin) Rueda

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

5 OTHER INFORMATION

5.1 Appropriation of result

(a) Appropriation of result according to the Articles of Association

The appropriation of the result takes place with due regard to the relevant provisions in Article 31 of the Company’s Articles of Association. This Article reads as follows:

- The profit is at the disposal of the General Meeting of Shareholders
- Profit distributions may not exceed the distributable part of the shareholders’ funds
- Profit distribution takes place after the adoption of the financial statements, which indicate that this payment is permitted
- The General Meeting of Shareholders may decide to pay out an interim dividend on condition that the requirement of the second subsection is met, as confirmed by an interim statement of shareholder’s funds in accordance with the statutory provisions
- The General Meeting of Shareholders may, with due regard to the relevant provisions of subsection 2, decide to make profit distributions from non-statutory reserves

As a result of the legal merger the proposal for appropriation of result is to add the profit to the other reserves of NN Bank.

5.2 Independent auditor's report

To: the shareholders and supervisory board of Nationale-Nederlanden Bank N.V.

Report on the audit of the financial statements

Our opinion

We have audited the financial statements 2017 of Delta Lloyd Bank N.V., Amsterdam (the Company) based in Amsterdam. The financial statements include the consolidated financial statements and the separate financial statements.

In our opinion:

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

The consolidated financial statements comprise:

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

The separate financial statements comprise:

- The separate statement of financial position as at 31 December 2017
- The separate income statement for 2017
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

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

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

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

Materiality

Materiality	€2.0 million (2016: €2.0 million)
Benchmark used	1% of equity
Explanation	Based on our professional judgment we consider an equity-based measure as the most appropriate basis to determine materiality for Delta Lloyd Bank N.V. as it is one of the key performance measures for the users of the financial statements and provides us with a consistent year on year basis for determining materiality.

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

We agreed with the supervisory board that misstatements in excess of €100.000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Delta Lloyd Bank N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Delta Lloyd Bank N.V.

We have performed a full-scope audit on the consolidated financial information for the group as a whole. The audit was performed by one audit team to align with the structure of the group. By performing these procedures, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

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

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

Credit quality mortgage portfolio and loan loss provision	
Risk	Delta Lloyd Bank N.V. carries mortgage and consumer lending portfolios with different inherent risks. The appropriateness of provisions for impairments on loans and advances is a key area of judgment for management. The identification of impairment and the determination of the recoverable amount are an inherently uncertain process involving various assumptions and factors including the financial condition of the counterparty, expected future cash flows, quality of collateral and expected net selling prices. The use of different modelling techniques and assumptions could produce significantly different estimates of loan loss provisions. Associated risk management disclosure is complex and dependent on the quality of data.

Our audit approach	We assessed and tested the design and operating effectiveness of the controls over impairment calculations including the quality of relevant underlying data and systems. These procedures focused on controls regarding the origination of mortgage loans, the accurate recording of loan and collateral static data in information systems and the process for identifying arrears and the management thereof. During our audit we also considered the process regarding the internal validation of the models used to determine the loan loss provisions, as well as the periodic evaluation of the parameters applied in these models. Finally, we assessed the completeness and accuracy of the disclosures relating to loan loss provisions to assess compliance with disclosure requirements included in EU-IFRS.
Key observations	Based on our procedures performed, we consider loan loss provision on mortgages to be reasonable. The disclosure relating to the loan loss provision is in our opinion in accordance with EU- IFRS.
Acquisition of Delta Lloyd Bank and integration with NN Bank	
Risk	In April 2017, NN Group acquired more than 93% shares of Delta Lloyd and NN Bank and Delta Lloyd Bank started preparing for the merger. On 11 September 2017, NN Bank filed its request for a declaration of no objection with the Dutch Central Bank (DNB). On 8 December 2017, DNB issued this declaration of no objection (DNO) for the merger between Delta Lloyd Bank and NN Bank. The legal merger took effect on 1 January 2018, after which the activities are continued through NN Bank as a separate branch. The Company included disclosures to this effect in note Going Concern and Subsequent Events of the financial statements. This area was important to our audit because of the impact of this on the future activities of the company including the ability of the company to continue its activities on a going concern basis, as well as the need for additional disclosures in the financial statements in respect of this post balance sheet event. We therefore considered in our audit the risk that the effects of the merger are inappropriately accounted for and/or disclosed.
Our audit approach	Our audit procedures included, amongst others, reading the merger proposal, the declaration of no objection and reading minutes of management board and supervisory board meetings. Furthermore, we focused on the adequacy of the disclosures as included in Note 3.6 and 4.3.11 of the financial statements. We also examined whether the report of the management board included relevant and consistent information as required by Part 9 of Book 2 of the Dutch Civil Code.
Key observations	The additional disclosures in the financial statements with respect to the legal merger with NN Bank as per 1 January 2018 are adequate and in accordance with EU-IFRS requirements.

Report on other information included in the annual report

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

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

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

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

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

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

Report on other legal and regulatory requirements

Engagement

We were engaged by the general meeting of shareholders of Delta Lloyd Bank N.V. as of the audit for the year 2008 and have operated as statutory auditor ever since that date. The most recent rotation of the signing external auditor on the audit of Delta Lloyd Bank's financial statements took place in 2015. Rotation of the signing external auditor is one of our safeguards to maintain our auditor independence.

No prohibited non-audit services

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

Description of responsibilities for the financial statements

Responsibilities of management and the supervisory board for the financial statements

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

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

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

Our responsibilities for the audit of the financial statements

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

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

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

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

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

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

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

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

Amsterdam, 24 April 2018

Ernst & Young Accountants LLP

signed by W.J. Smit

5.3 Contact and legal information

Contact us

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Nationale-Nederlanden Bank N.V. is part of NN Group N.V.

Disclaimer

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

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