

**NN Group N.V.**  
**30 September 2016**  
**Condensed**  
**consolidated**  
**interim accounts**



# Condensed consolidated interim accounts contents

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# Condensed consolidated balance sheet

Amounts in millions of euros, unless stated otherwise

## Condensed consolidated balance sheet

As at

	notes	30 September 2016	31 December 2015
<b>Assets</b>			
Cash and cash equivalents		9,131	7,436
Financial assets at fair value through profit or loss:			
– investments for risk of policyholders		31,485	35,154
– non-trading derivatives		6,809	4,656
– designated as at fair value through profit or loss		1,308	443
Available-for-sale investments	2	83,755	74,393
Loans	3	34,533	31,013
Reinsurance contracts	9	251	236
Associates and joint ventures	4	2,537	2,197
Real estate investments		1,913	1,564
Property and equipment		84	86
Intangible assets	5	346	351
Deferred acquisition costs		1,699	1,531
Assets held for sale	6	961	
Other assets	7	2,710	3,092
<b>Total assets</b>		<b>177,522</b>	<b>162,152</b>
<b>Equity</b>			
Shareholders' equity (parent)		25,470	20,469
Minority interests		9	9
Undated subordinated notes		986	986
<b>Total equity</b>	8	<b>26,465</b>	<b>21,464</b>
<b>Liabilities</b>			
Subordinated debt		2,288	2,290
Debt securities issued		597	597
Other borrowed funds		7,952	6,785
Insurance and investment contracts	9	120,167	115,984
Customer deposits and other funds on deposit		9,682	8,034
Financial liabilities at fair value through profit or loss:			
– non-trading derivatives		2,472	1,701
Liabilities held for sale	6	709	
Other liabilities	10	7,190	5,297
<b>Total liabilities</b>		<b>151,057</b>	<b>140,688</b>
<b>Total equity and liabilities</b>		<b>177,522</b>	<b>162,152</b>

# Condensed consolidated profit and loss account

## Condensed consolidated profit and loss account

notes	1 July to 30 September 2016	1 July to 30 September 2015	1 January to 30 September 2016	1 January to 30 September 2015
Gross premium income	2,124	1,914	7,424	7,441
Investment income	1,094	1,056	3,172	3,156
Result on disposals of group companies		1		1
- gross fee and commission income	231	253	697	771
- fee and commission expenses	-82	-91	-251	-282
Net fee and commission income:	149	162	446	489
Valuation results on non-trading derivatives	-244	308	576	-6
Foreign currency results and net trading income	56	-1	28	90
Share of result from associates and joint ventures	81	58	230	164
Other income	11	15	18	34
<b>Total income</b>	<b>3,271</b>	<b>3,513</b>	<b>11,894</b>	<b>11,369</b>
- gross underwriting expenditure	2,791	1,464	9,395	8,125
- investment result for risk of policyholders	-616	1,059	-570	-30
- reinsurance recoveries	-27	-19	-72	-52
Underwriting expenditure:	2,148	2,504	8,753	8,043
Intangible amortisation and other impairments	2	2	17	5
Staff expenses	289	295	880	876
Interest expenses	118	162	430	467
Other operating expenses	167	178	509	562
<b>Total expenses</b>	<b>2,724</b>	<b>3,141</b>	<b>10,589</b>	<b>9,953</b>
<b>Result before tax</b>	<b>547</b>	<b>372</b>	<b>1,305</b>	<b>1,416</b>
Taxation	111	41	263	183
<b>Net result</b>	<b>436</b>	<b>331</b>	<b>1,042</b>	<b>1,233</b>

## Net result

	1 July to 30 September 2016	1 July to 30 September 2015	1 January to 30 September 2016	1 January to 30 September 2015
Net result attributable to				
Shareholders of the parent	436	329	1,041	1,205
Minority interests		2	1	28
<b>Net result</b>	<b>436</b>	<b>331</b>	<b>1,042</b>	<b>1,233</b>

## Earnings per ordinary share

amounts in euros	1 July to 30 September 2016	1 July to 30 September 2015	1 January to 30 September 2016	1 January to 30 September 2015
Basic earnings per ordinary share	1.31	0.95	3.12	3.45
Diluted earnings per ordinary share	1.31	0.94	3.12	3.44

# Condensed consolidated statement of comprehensive income

## Condensed consolidated statement of comprehensive income

	1 July to 30 September 2016	1 July to 30 September 2015	1 January to 30 September 2016	1 January to 30 September 2015
<b>Net result</b>	<b>436</b>	<b>331</b>	<b>1,042</b>	<b>1,233</b>
- unrealised revaluations available-for-sale investments and other	63	988	5,284	-378
- realised gains/losses transferred to the profit and loss account	-151	-107	-238	-329
- changes in cash flow hedge reserve	91	211	1,517	-303
- deferred interest credited to policyholders	31	-430	-1,942	395
- share of other comprehensive income of associates and joint ventures	2	2	2	7
- exchange rate difference	-8	-20	182	134
Items that may be reclassified subsequently to the profit and loss account:	28	644	4,805	-474
- remeasurement of the net defined benefit asset/liability	-9	-5	-50	21
- unrealised revaluations property in own use	1	1	-2	1
Items that will not be reclassified to the profit and loss account:	-8	-4	-52	22
<b>Total other comprehensive income</b>	<b>20</b>	<b>640</b>	<b>4,753</b>	<b>-452</b>
<b>Total comprehensive income</b>	<b>456</b>	<b>971</b>	<b>5,795</b>	<b>781</b>
Comprehensive income attributable to:				
Shareholders of the parent	457	976	5,795	750
Minority interests	-1	-5		31
<b>Total comprehensive income</b>	<b>456</b>	<b>971</b>	<b>5,795</b>	<b>781</b>

# Condensed consolidated statement of cash flows

## Condensed consolidated statement of cash flows

	1 January to 30 September 2016	1 January to 30 September 2015
Result before tax	1,305	1,416
Adjusted for:		
- depreciation	32	36
- deferred acquisition costs and value of business acquired	-33	-40
- underwriting expenditure (change in insurance liabilities)	-1,094	-3,699
- other	-182	-539
Taxation paid	-92	-11
Changes in:		
- trading assets		85
- non-trading derivatives	673	634
- other financial assets at fair value through profit or loss	-812	-20
- loans	-2,041	-1,974
- other assets	397	337
- customer deposits and other funds on deposit	1,648	1,123
- financial liabilities at fair value through profit or loss - non-trading derivatives	381	-65
- other liabilities	-707	-853
<b>Net cash flow from operating activities</b>	<b>-525</b>	<b>-3,570</b>
Investments and advances:		
- group companies	-6	-31
- associates and joint ventures	-92	-80
- available-for-sale investments	-7,997	-6,511
- real estate investments	-301	-358
- property and equipment	-16	-35
- investments for risk of policyholders	-4,369	-3,969
- other investments	-1,363	-16
Disposals and redemptions:		
- associates and joint ventures	123	192
- available-for-sale investments	5,824	5,003
- property and equipment		2
- investments for risk of policyholders	10,265	11,223
- other investments		410
<b>Net cash flow from investing activities</b>	<b>2,068</b>	<b>5,830</b>
Proceeds from other borrowed funds	9,711	9,470
Repayments of other borrowed funds	-8,466	-10,153
Proceeds from debt securities issued		597
Capital contribution		57
Dividend paid	-298	-271
Purchase/sale of treasury shares	-448	-447
Coupon on undated subordinated notes	-45	-45
<b>Net cash flow from financing activities</b>	<b>454</b>	<b>-792</b>
<b>Net cash flow</b>	<b>1,997</b>	<b>1,468</b>

## Cash and cash equivalents

	1 January to 30 September 2016	1 January to 30 September 2015
Cash and cash equivalents at beginning of the period	7,436	7,530
Net cash flow	1,997	1,468
Effect of exchange rate changes on cash and cash equivalents	-286	-32
<b>Cash and cash equivalents at end of the period</b>	<b>9,147</b>	<b>8,966</b>
Cash and cash equivalents comprises the following items:		
Cash and cash equivalents	9,131	8,966
Cash and cash equivalents as Assets held for sale	16	
<b>Cash and cash equivalents at end of the period</b>	<b>9,147</b>	<b>8,966</b>

# Condensed consolidated statement of changes in equity

## Condensed consolidated statement of changes in equity (2016)

	Share capital	Share premium	Reserves	Total Share-holders' equity (parent)	Minority interest	Undated subordinated notes	Total equity
<b>Balance as at 1 January 2016</b>	<b>40</b>	<b>12,153</b>	<b>8,276</b>	<b>20,469</b>	<b>9</b>	<b>986</b>	<b>21,464</b>
Unrealised revaluations available-for-sale investments and other			5,284	5,284			5,284
Realised gains/losses transferred to the profit and loss account			-238	-238			-238
Changes in cash flow hedge reserve			1,517	1,517			1,517
Deferred interest credited to policyholders			-1,942	-1,942			-1,942
Share of other comprehensive income of associates and joint ventures			2	2			2
Exchange rate differences			183	183	-1		182
Remeasurement of the net defined benefit asset/liability			-50	-50			-50
Unrealised revaluations property in own use			-2	-2			-2
<b>Total amount recognised directly in equity (other comprehensive income)</b>	<b>0</b>	<b>0</b>	<b>4,754</b>	<b>4,754</b>	<b>-1</b>	<b>0</b>	<b>4,753</b>
Net result for the period			1,041	1,041	1		1,042
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>5,795</b>	<b>5,795</b>	<b>0</b>	<b>0</b>	<b>5,795</b>
Dividend			-298	-298			-298
Purchase/sale of treasury shares			-448	-448			-448
Employee stock option and share plans			-14	-14			-14
Coupon on undated subordinated notes			-34	-34			-34
<b>Balance as at 30 September 2016</b>	<b>40</b>	<b>12,153</b>	<b>13,277</b>	<b>25,470</b>	<b>9</b>	<b>986</b>	<b>26,465</b>

## Condensed consolidated statement of changes in equity (2015)

	Share capital	Share premium	Reserves	Total Share-holders' equity (parent)	Minority interest	Undated subordinated notes	Total equity
<b>Balance as at 1 January 2015</b>	<b>42</b>	<b>12,098</b>	<b>8,215</b>	<b>20,355</b>	<b>76</b>	<b>986</b>	<b>21,417</b>
Unrealised revaluations available-for-sale investments and other			-378	-378			-378
Realised gains/losses transferred to the profit and loss account			-329	-329			-329
Changes in cash flow hedge reserve			-303	-303			-303
Deferred interest credited to policyholders			395	395			395
Share of other comprehensive income of associates and joint ventures			7	7			7
Exchange rate differences			131	131	3		134
Remeasurement of the net defined benefit asset/liability			21	21			21
Unrealised revaluations property in own use			1	1			1
<b>Total amount recognised directly in equity (other comprehensive income)</b>	<b>0</b>	<b>0</b>	<b>-455</b>	<b>-455</b>	<b>3</b>	<b>0</b>	<b>-452</b>
Net result for the period			1,205	1,205	28		1,233
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>750</b>	<b>750</b>	<b>31</b>	<b>0</b>	<b>781</b>
Changes in share capital	-2		2				0
Capital contribution		57		57			57
Dividend			-251	-251	-20		-271
Purchase/sale of treasury shares			-597	-597			-597
Coupon on undated subordinated notes			-34	-34			-34
Changes in composition of the group and other changes			-9	-9	-43		-52
<b>Balance as at 30 September 2015</b>	<b>40</b>	<b>12,155</b>	<b>8,076</b>	<b>20,271</b>	<b>44</b>	<b>986</b>	<b>21,301</b>



# Notes to the Condensed consolidated interim accounts

## 1 Accounting policies

These Condensed consolidated interim accounts of NN Group N.V. (NN Group) have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'. The accounting principles used to prepare these Condensed consolidated interim accounts comply with International Financial Reporting Standards as adopted by the European Union ('IFRS-EU') and are consistent with those set out in the notes to the 2015 NN Group Consolidated annual accounts.

These Condensed consolidated interim accounts should be read in conjunction with the 2015 NN Group Consolidated annual accounts.

IFRS-EU provides a number of options in accounting policies. NN Group's accounting policies under IFRS-EU and its decision on the options available are set out in Note 1 'Accounting policies' of the 2015 NN Group Consolidated annual accounts.

Certain amounts recorded in the Condensed consolidated interim accounts reflect estimates and assumptions made by management. Actual results may differ from the estimates made. Interim results are not necessarily indicative of full-year results.

The presentation of and certain terms used in these Condensed consolidated interim accounts has been changed to provide additional and more relevant information or (for changes in comparative information) to better align with the current period presentation. The impact of these changes is explained in the relevant notes when significant.

Reference is made to the 2015 NN Group Consolidated annual accounts for more details on upcoming changes in accounting policies.

## 2 Available-for-sale investments

### Available-for-sale investments

	30 September 2016	31 December 2015
Equity securities:		
- shares in NN Group managed investment funds	2,326	2,094
- shares in third-party managed investment funds	1,347	1,539
- other	3,334	3,207
<b>Equity securities</b>	<b>7,007</b>	<b>6,840</b>
Debt securities	76,748	67,553
<b>Available-for-sale investments</b>	<b>83,755</b>	<b>74,393</b>

NN Group's total exposure to debt securities is included in the following balance sheet lines:

### Total exposure to debt securities

	30 September 2016	31 December 2015
Available-for-sale investments	76,748	67,553
Loans	1,967	2,620
<b>Available-for-sale investments and Loans</b>	<b>78,715</b>	<b>70,173</b>
Investments for risk of policyholders	1,390	1,369
Designated as at fair value through profit or loss	766	204
<b>Financial assets at fair value through profit or loss</b>	<b>2,156</b>	<b>1,573</b>
<b>Total exposure to debt securities</b>	<b>80,871</b>	<b>71,746</b>

## Notes to the Condensed consolidated interim accounts – continued

NN Group's total exposure to debt securities included in Available-for-sale investments and Loans of EUR 78,715 million (2015: EUR 70,173 million) is specified as follows by type of exposure:

### Debt securities by type

	Available-for-sale investments		Loans		Total	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015
Government bonds	59,817	53,936			59,817	53,936
Covered bonds	359	450			359	450
Corporate bonds	10,261	8,817			10,261	8,817
Financial institution bonds	5,158	3,602			5,158	3,602
<b>Bond portfolio (excluding ABS)</b>	<b>75,595</b>	<b>66,805</b>	<b>0</b>	<b>0</b>	<b>75,595</b>	<b>66,805</b>
US RMBS	188	192			188	192
Non-US RMBS	823	385	1,587	1,866	2,410	2,251
CDO/CLO	36	36	7	22	43	58
Other ABS	106	132	373	732	479	864
CMBS		3				3
<b>ABS portfolio</b>	<b>1,153</b>	<b>748</b>	<b>1,967</b>	<b>2,620</b>	<b>3,120</b>	<b>3,368</b>
<b>Debt securities – Available-for-sale investments and Loans</b>	<b>76,748</b>	<b>67,553</b>	<b>1,967</b>	<b>2,620</b>	<b>78,715</b>	<b>70,173</b>

### Reclassifications to Loans (2009)

As per reclassification date	Q2 2009
Fair value	6,135
Range of effective interest rates	1.4%-24.8%
Expected recoverable cash flows	7,118
Unrealised fair value losses in Shareholders' equity (before tax)	-896
Recognised fair value gains/losses in Shareholders' equity (before tax) between the beginning of the year in which the reclassification occurred and the reclassification date	173
Recognised fair value gains/losses in Shareholders' equity (before tax) in the year prior to reclassification	-971
Impairments (before tax) between the beginning of the year in which the reclassification occurred and the reclassification date	nil
Impairment (before tax) in the year prior to reclassification	nil

Years after reclassification	30							
	September 2016	31 December 2015	31 December 2014	31 December 2013	31 December 2012	31 December 2011	31 December 2010	31 December 2009
Carrying value	414	533	809	1,098	1,694	3,057	4,465	5,550
Fair value	541	676	984	1,108	1,667	2,883	4,594	5,871
Unrealised fair value gains/losses in Shareholders' equity (before tax)	-177	-203	-213	-111	-186	-307	-491	-734
Effect on Shareholders' equity (before tax) if reclassification had not been made	127	143	175	10	-27	-174	129	321
Effect on result (before tax) if reclassification had not been made	nil	nil	nil	nil	nil	nil	nil	nil
Effect on result (before tax) after the reclassification (mainly interest income)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	121
Effect on result (before tax) for the year (interest income and sales results)	0	1	-2	-10	-47	90	89	n.a.
Impairments (before tax)	nil	nil	nil	nil	nil	nil	nil	nil
Provisions for credit losses (before tax)	nil	nil	nil	nil	nil	nil	nil	nil

Reclassifications out of Available-for-sale investments to Loans are allowed under IFRS-EU as of the third quarter of 2008. In the second quarter of 2009 NN Group reclassified certain financial assets from Available-for-sale investments to Loans. NN Group identified assets, eligible for reclassification, for which at the reclassification date it had the intention to hold for the foreseeable future. The table above provides information on this reclassification made in the second quarter of 2009. Information is provided for this reclassification as at the date of reclassification and as at the end of the subsequent reporting periods. This information is disclosed under IFRS-EU as long as the reclassified assets continue to be recognised in the balance sheet.

# Notes to the Condensed consolidated interim accounts – continued

## 3 Loans

### Loans

	30 September 2016	31 December 2015
Loans secured by mortgages	24,882	22,398
Unsecured loans	4,837	4,438
Asset-backed securities	1,967	2,620
Deposits	1,771	432
Policy loans	271	236
Other	882	976
<b>Loans-before Loan loss provisions</b>	<b>34,610</b>	<b>31,100</b>
Loan loss provisions	-77	-87
<b>Loans</b>	<b>34,533</b>	<b>31,013</b>

### Changes in Loan loss provisions

	30 September 2016	31 December 2015
Loan loss provisions – Opening balance	87	75
Write-offs	-14	-14
Recoveries	1	
Increase in loan loss provisions	6	39
Changes in the composition of the group and other changes	-3	-13
<b>Loan loss provisions – Closing balance</b>	<b>77</b>	<b>87</b>

## 4 Associates and joint ventures

### Associates and joint ventures

	Interest held 30 September 2016	Balance sheet value 30 September 2016	Interest held 31 December 2015	Balance sheet value 31 December 2015
CBRE Dutch Office Master Fund I C.V.	27%	312	27%	293
Parcom Investment Fund III B.V.	100%	236	100%	216
CBRE Retail Property Fund Iberica LP	33%	206	31%	184
CBRE Dutch Retail Fund FGR	18%	181		
Parcom Investment Fund II B.V.	100%	175	100%	185
CBRE UK Property Fund	23%	168	23%	201
Parcom Buy Out Fund IV B.V.	100%	130	100%	145
CBRE Property Fund Central Europe LP	25%	125	25%	116
Allee center Kft	50%	103	50%	103
CBRE European Industrial Fund C.V.	19%	102	27%	101
Fiumaranuova s.r.l.	50%	94	50%	87
CBRE Dutch Retail Fund II FGR	10%	80		
DPE Deutschland II B GmbH & Co KG	34%	80	34%	54
Parquest Capital B FPCI	40%	70	40%	62
SNC Le Havre Lafayette	50%	56	50%	58
CBRE Property Fund Central and Eastern Europe FGR	21%	52	21%	52
Delta Mainlog Holding GmbH & Co. KG	50%	50		
Other		317		340
<b>Associates and joint ventures</b>		<b>2,537</b>		<b>2,197</b>

Other represents associates and joint ventures with an individual balance sheet value as at 30 September 2016 of less than EUR 50 million.

## Notes to the Condensed consolidated interim accounts – continued

### 5 Intangible assets

#### Intangible assets

	30 September 2016	31 December 2015
Value of business acquired	12	14
Goodwill	258	260
Software	57	59
Other	19	18
<b>Intangible assets</b>	<b>346</b>	<b>351</b>

### 6 Assets and liabilities held for sale

Assets and liabilities are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This relates to businesses that are available for immediate sale in their present condition, for which management is committed to a sale and for which a sale is highly probable, i.e. expected to occur within one year. As at 30 September 2016 assets and liabilities held for sale relate to a portfolio of NN Re (Ireland) Ltd. and to Mandema & Partners. Mandema & Partners is presented in the segment 'Netherlands Non-life'; NN Re (Ireland) Ltd. is presented in the segment 'Other'. Assets held for sale relate mainly to Available for sale investments. Liabilities held for sale relate mainly to Insurance and investment contracts. Classification as held for sale does not impact the comparative figures in the balance sheet. As both NN Re (Ireland) Ltd. and Mandema & Partners do not qualify as discontinued operations, there is no impact on the presentation of the profit and loss account. For more information on the portfolio transfer agreement of NN Re (Ireland) Ltd. and the agreed sale of Mandema & Partners reference is made to Note 18 'Companies and businesses acquired and divested'.

### 7 Other assets

#### Other assets

	30 September 2016	31 December 2015
Insurance and reinsurance receivables	428	391
Deferred tax assets	35	44
Property obtained from foreclosures	1	4
Income tax receivable	65	58
Accrued interest and rents	1,279	1,620
Other accrued assets	426	542
Other	476	433
<b>Other assets</b>	<b>2,710</b>	<b>3,092</b>

### 8 Equity

#### Total equity

	30 September 2016	31 December 2015
Share capital	40	40
Share premium	12,153	12,153
Revaluation reserve	12,912	8,321
Currency translation reserve	198	-24
Net defined benefit asset/liability remeasurement reserve	-140	-90
Other reserves	307	69
<b>Shareholders' equity (parent)</b>	<b>25,470</b>	<b>20,469</b>
Minority interests	9	9
Undated subordinated notes	986	986
<b>Total equity</b>	<b>26,465</b>	<b>21,464</b>

## Notes to the Condensed consolidated interim accounts – continued

### Changes in equity (2016)

<b>30 September 2016</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Reserves</b>	<b>Total shareholders' equity (parent)</b>
Equity – Opening balance	40	12,153	8,276	20,469
Net result for the period			1,041	1,041
Total amount recognised directly in equity (other comprehensive income)			4,754	4,754
Dividend			-298	-298
Purchase/sale of treasury shares			-448	-448
Employee stock option and share plans			-14	-14
Coupon on undated subordinated notes			-34	-34
<b>Equity – Closing balance</b>	<b>40</b>	<b>12,153</b>	<b>13,277</b>	<b>25,470</b>

### Changes in equity (2015)

<b>31 December 2015</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Reserves</b>	<b>Total shareholders' equity (parent)</b>
Equity – Opening balance	42	12,098	8,215	20,355
Net result for the period			1,565	1,565
Total amount recognised directly in equity (other comprehensive income)			-622	-622
Changes in share capital	-2	-2	4	0
Capital contribution		57		57
Dividend			-251	-251
Purchase/sale of treasury shares			-597	-597
Employee stock option and share plans			5	5
Coupon on undated subordinated notes			-34	-34
Changes in the composition of the group and other changes			-9	-9
<b>Equity – Closing balance</b>	<b>40</b>	<b>12,153</b>	<b>8,276</b>	<b>20,469</b>

### Dividend

#### Final dividend 2015

On 2 June 2016, the General Meeting of Shareholders adopted the proposed 2015 final dividend of EUR 1.05 per ordinary share, which represents a total amount of EUR 341 million. This dividend was paid on 28 June 2016 either in cash or in ordinary shares at the election of the shareholder. As a result, an amount of EUR 185 million was distributed out of Other reserves (cash dividend) and 6,020,620 ordinary shares, with a par value of EUR 0.12 per share were issued (EUR 156 million stock dividend). On 7 September 2015, an interim dividend of EUR 0.46 per ordinary share was paid, resulting in a total dividend for 2015 of EUR 1.51 per ordinary share.

#### Interim dividend 2016

In September 2016 NN Group paid a 2016 interim dividend of EUR 0.60 per ordinary share, which represents a total amount of EUR 195 million. The 2016 interim dividend was paid on 9 September 2016 either in cash or in ordinary shares at the election of the shareholder. As a result, an amount of EUR 113 million was distributed out of Other reserves (cash dividend) and 3,086,014 ordinary shares, with a par value of EUR 0.12 per share were issued (EUR 82 million stock dividend).

To neutralise the dilutive effect of the final and interim stock dividend, NN Group will repurchase ordinary shares for an amount equivalent to the stock dividend.

### Purchase/sale of treasury shares

On 8 January 2016, NN Group repurchased 8,064,516 ordinary shares in NN Group ('Treasury shares') from ING Groep N.V. at a price of EUR 31.00 per share for an aggregate amount of EUR 250 million.

On 26 May 2016, NN Group announced an open market share buyback programme for an amount up to EUR 500 million over a period of 12 months commencing 1 June 2016. The share buyback has been deducted in full from Solvency II Own Funds in the second quarter of 2016 and is deducted from IFRS shareholders' equity when actual buyback transactions occur. Following NN Group's intended offer for Delta Lloyd as announced on 5 October 2016, this share buyback programme has been suspended. Up until the date of the announcement, share buybacks under this programme had been executed for an amount of EUR 167 million. The remaining outstanding amount of EUR 333 million continues to be deducted from Solvency II Own Funds as at 30 September 2016.

## Notes to the Condensed consolidated interim accounts – continued

During the second and third quarter of 2016, 8,181,267 ordinary shares for a total amount of EUR 210 million have been repurchased. The repurchased shares are held by NN Group and the amount has been deducted from Other reserves ('Purchase/sale of treasury shares'). In June 2016, NN Group cancelled 7,808,135 treasury shares.

As at 30 September 2016, 8,908,873 treasury shares were held by NN Group.

### Coupon on undated subordinated notes

The undated subordinated notes have an optional annual coupon payment on 15 July. The payment of the annual coupon on 15 July 2016 resulted in a deduction of EUR 34 million (net of tax) from equity.

## 9 Insurance and investment contracts, reinsurance contracts

### Insurance and investment contracts, reinsurance contracts

	Liabilities net of reinsurance		Reinsurance contracts		Insurance and investment contracts	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015
Life insurance liabilities excluding liabilities for risk of policyholders	84,116	75,713	124	114	84,240	75,827
Liabilities for life insurance for risk of policyholders	29,969	33,580	45	47	30,014	33,627
<b>Life insurance liabilities</b>	<b>114,085</b>	<b>109,293</b>	<b>169</b>	<b>161</b>	<b>114,254</b>	<b>109,454</b>
Liabilities for unearned premiums and unexpired risks	392	263	7	2	399	265
Claims liabilities	3,193	3,171	75	73	3,268	3,244
<b>Insurance liabilities</b>	<b>117,670</b>	<b>112,727</b>	<b>251</b>	<b>236</b>	<b>117,921</b>	<b>112,963</b>
Investment contracts liabilities	2,246	3,021			2,246	3,021
<b>Insurance and investment contracts, reinsurance contracts</b>	<b>119,916</b>	<b>115,748</b>	<b>251</b>	<b>236</b>	<b>120,167</b>	<b>115,984</b>

The 'Liabilities for insurance and investment contracts' is presented gross in the balance sheet as 'Insurance and investment contracts'. The related reinsurance is presented as 'Reinsurance contracts' under Assets in the balance sheet.

## 10 Other liabilities

### Other liabilities

	30 September 2016	31 December 2015
Deferred tax liabilities	3,940	2,101
Income tax payable	15	11
Net defined benefit liability	168	96
Other post-employment benefits	35	36
Other staff-related liabilities	132	140
Other taxation and social security contributions	102	144
Deposits from reinsurers	97	102
Accrued interest	321	519
Costs payable	186	187
Amounts payable to policyholders	603	564
Reorganisation provisions	41	67
Other provisions	50	56
Amounts to be settled	931	813
Other	569	461
<b>Other liabilities</b>	<b>7,190</b>	<b>5,297</b>

# Notes to the Condensed consolidated interim accounts – continued

## 11 Investment income

### Investment income

	1 July to 30 September 2016	1 July to 30 September 2015	1 January to 30 September 2016	1 January to 30 September 2015
Interest income from investments in debt securities	423	426	1,259	1,305
Interest income from loans:				
- unsecured loans	41	30	103	100
- mortgage loans	260	241	775	688
- policy loans	2	2	6	6
- other	18	29	64	82
<b>Interest income from investments in debt securities and loans</b>	<b>744</b>	<b>728</b>	<b>2,207</b>	<b>2,181</b>
Realised gains/losses on disposal of Available-for-sale debt securities	173	55	269	109
Impairments of Available-for-sale debt securities	-1		-4	
<b>Realised gains/losses and impairments of Available-for-sale debt securities</b>	<b>172</b>	<b>55</b>	<b>265</b>	<b>109</b>
Realised gains/losses on disposal of Available-for-sale equity securities	30	115	81	338
Impairments of Available-for-sale equity securities	-10	-38	-41	-85
<b>Realised gains/losses and impairments of Available-for-sale equity securities</b>	<b>20</b>	<b>77</b>	<b>40</b>	<b>253</b>
Interest income on non-trading derivatives	85	134	346	396
Increase in loan loss provisions	-5	-4	-6	-26
Income from real estate investments	24	21	69	57
Dividend income	44	39	208	167
Change in fair value of real estate investments	10	6	43	19
<b>Investment income</b>	<b>1,094</b>	<b>1,056</b>	<b>3,172</b>	<b>3,156</b>

### Impairments on investments by segment

	1 July to 30 September 2016	1 July to 30 September 2015	1 January to 30 September 2016	1 January to 30 September 2015
Netherlands Life	-7	-33	-31	-75
Netherlands Non-life			-1	-1
Insurance Europe	-3	-4	-11	-7
Japan Life		-1		-1
Asset management	-1		-1	
Other			-1	-1
<b>Impairments</b>	<b>-11</b>	<b>-38</b>	<b>-45</b>	<b>-85</b>

## 12 Underwriting expenditure

### Underwriting expenditure

	1 July to 30 September 2016	1 July to 30 September 2015	1 January to 30 September 2016	1 January to 30 September 2015
Gross underwriting expenditure:				
- before effect of investment result for risk of policyholder	2,175	2,523	8,825	8,095
- effect of investment result for risk of policyholder	616	-1,059	570	30
<b>Gross underwriting expenditure</b>	<b>2,791</b>	<b>1,464</b>	<b>9,395</b>	<b>8,125</b>
Investment result for risk of policyholders	-616	1,059	-570	-30
Reinsurance recoveries	-27	-19	-72	-52
<b>Underwriting expenditure</b>	<b>2,148</b>	<b>2,504</b>	<b>8,753</b>	<b>8,043</b>

The investment income and valuation results regarding investments for risk of policyholders is recognised in 'Underwriting expenditure'. As a result it is shown together with the equal amount of related change in insurance liabilities for risk of policyholders.

## Notes to the Condensed consolidated interim accounts – continued

### Underwriting expenditure by class

	1 July to 30 September 2016	1 July to 30 September 2015	1 January to 30 September 2016	1 January to 30 September 2015
<b>Expenditure from life underwriting:</b>				
- reinsurance and retrocession premiums	33	27	107	95
- gross benefits	2,466	2,914	7,902	9,866
- reinsurance recoveries	-24	-16	-62	-42
- change in life insurance liabilities	-724	-827	-908	-3,504
- costs of acquiring insurance business	128	118	386	362
- other underwriting expenditure	20	18	66	64
- profit sharing and rebates	6	16	16	26
<b>Expenditure from life underwriting</b>	<b>1,905</b>	<b>2,250</b>	<b>7,507</b>	<b>6,867</b>
<b>Expenditure from non-life underwriting:</b>				
- reinsurance and retrocession premiums	4	4	30	28
- gross claims	280	276	860	821
- reinsurance recoveries	-3	-3	-10	-10
- changes in the liabilities for unearned premiums	-107	-102	148	135
- changes in claims liabilities	5	15	23	7
- costs of acquiring insurance business	64	64	193	193
- other underwriting expenditure			2	2
<b>Expenditure from non-life underwriting</b>	<b>243</b>	<b>254</b>	<b>1,246</b>	<b>1,176</b>
<b>Underwriting expenditure</b>	<b>2,148</b>	<b>2,504</b>	<b>8,753</b>	<b>8,043</b>

## 13 Staff expenses

### Staff expenses

	1 July to 30 September 2016	1 July to 30 September 2015	1 January to 30 September 2016	1 January to 30 September 2015
Salaries	181	180	538	534
Pension costs	26	25	76	76
Social security costs	24	22	73	70
Share-based compensation arrangements	3	9	10	14
External staff costs	47	49	148	147
Education	3	3	9	8
Other staff costs	5	7	26	27
<b>Staff expenses</b>	<b>289</b>	<b>295</b>	<b>880</b>	<b>876</b>

## 14 Earnings per ordinary share

Earnings per ordinary share shows earnings per share amounts for profit or loss attributable to shareholders of the parent. Earnings per ordinary share is calculated on the basis of the weighted average number of ordinary shares outstanding. In calculating the weighted average number of ordinary shares outstanding, own shares held by group companies are deducted from the total number of ordinary shares in issue.



## Notes to the Condensed consolidated interim accounts – continued

### Earnings per ordinary share

	Amount (in millions of euros)		Weighted average number of ordinary shares (in millions)		Per ordinary share (in euros)	
	1 July to 30 September 2016	1 July to 30 September 2015	1 July to 30 September 2016	1 July to 30 September 2015	1 July to 30 September 2016	1 July to 30 September 2015
	Net result	436	329			
Coupon on undated subordinated notes	-8	-8				
<b>Basic earnings per ordinary share</b>	<b>428</b>	<b>321</b>	<b>326.0</b>	<b>338.5</b>	<b>1.31</b>	<b>0.95</b>
Dilutive instruments:						
Warrants			0.0	0.0		
Share plans			0.8	1.2		
			<b>0.8</b>	<b>1.2</b>		
<b>Diluted earnings per ordinary share</b>	<b>428</b>	<b>321</b>	<b>326.8</b>	<b>339.7</b>	<b>1.31</b>	<b>0.94</b>

### Earnings per ordinary share

	Amount (in millions of euros)		Weighted average number of ordinary shares (in millions)		Per ordinary share (in euros)	
	1 January to 30 September 2016	1 January to 30 September 2015	1 January to 30 September 2016	1 January to 30 September 2015	1 January to 30 September 2016	1 January to 30 September 2015
	Net result	1,041	1,205			
Coupon on undated subordinated notes	-25	-25				
<b>Basic earnings per ordinary share</b>	<b>1,016</b>	<b>1,180</b>	<b>325.3</b>	<b>342.0</b>	<b>3.12</b>	<b>3.45</b>
Dilutive instruments:						
Warrants			0.0	0.0		
Share plans			0.8	1.2		
			<b>0.8</b>	<b>1.2</b>		
<b>Diluted earnings per ordinary share</b>	<b>1,016</b>	<b>1,180</b>	<b>326.1</b>	<b>343.2</b>	<b>3.12</b>	<b>3.44</b>

Diluted earnings per share is calculated as if the share plans and warrants outstanding at the end of the period had been exercised at the beginning of the period and assuming that the cash received from exercised share plans and warrants was used to buy own shares against the average market price during the period.

## 15 Segments

The reporting segments for NN Group, based on the internal reporting structure, are as follows:

- Netherlands Life (Group life and individual life insurance products in the Netherlands)
- Netherlands Non-life (Non-life insurance in the Netherlands including disability and accident, fire, motor and transport insurance)
- Insurance Europe (Life insurance, pension products and to a small extent non-life insurance and retirement services in Central and Rest of Europe)
- Japan Life (Life insurance, primarily Corporate Owned Life Insurance (COLI) business)
- Asset Management (Asset management activities)
- Other (operating segments that have been aggregated due to their respective size; including banking activities in the Netherlands, reinsurance and items related to capital management and the head office)
- Japan Closed Block VA (Closed block single premium variable annuity individual life insurance portfolio in Japan, including the internally reinsured minimum guarantee risk, which has been closed to new business and which is being managed in run-off)

The Executive Board and the Management Board set the performance targets and approve and monitor the budgets prepared by the reporting segments. The segments formulate strategic, commercial and financial policies in conformity with the strategy and performance targets set by the Executive Board and the Management Board.

The accounting policies of the segments are the same as those described in Note 1 'Accounting policies'. Transfer prices for inter-segment transactions are set at arm's length. Corporate expenses are allocated to segments based on time spent by head office personnel, the relative number of staff, or on the basis of income and/or assets of the segment. Intercompany loans that qualify as equity instruments under IFRS-EU are presented in the segment reporting as debt; related coupon payments are presented as income and expenses in the respective segments.

## Notes to the Condensed consolidated interim accounts – continued

Operating result (before tax) is used by NN Group to evaluate the financial performance of its segments. Each segment's operating result is calculated by adjusting the reported result before tax for the following items:

- Non-operating items: related to (general account) investments that are held for own risk (net of policyholder profit sharing):
  - Capital gains/losses and impairments: realised gains and losses as well as impairments on financial assets that are classified as Available-for-sale and debt securities that are classified as loans. These investments include debt and equity securities (including fixed income and equity funds), private equity (< 20% ownership), real estate funds and loans quoted in active markets.
  - Revaluations: revaluations on assets marked-to-market through the Consolidated profit and loss account. These investments include private equity (associates), real estate (property and associates), derivatives unrelated to product hedging programmes (i.e. interest rate swaps, foreign exchange hedges) and direct equity hedges.
  - Market & other impacts: these impacts mainly comprise the change in the liability for guarantees on separate account pension contracts (net of hedging) in the Netherlands, the equity related and other deferred acquisition costs unlocking for Japan Closed Block VA as well as the accounting volatility related to the reinsurance of minimum guaranteed benefits of Japan Closed Block VA.
- Result on divestments: result before tax related to divested operations.
- Special items before tax: items of income or expenses that are significant and arise from events or transactions that are clearly distinct from the ordinary business activities and therefore are not expected to recur frequently or regularly. This includes restructuring expenses, rebranding costs, goodwill impairments, results related to early redemption of debt and gains/losses from employee pension plan amendments or curtailments.

The operating result for the life insurance business is analysed through a margin analysis, which includes the investment margin, fees and premium-based revenues and the technical margin. Disclosures on comparative years also reflect the impact of current year's divestments. Operating result as presented below is an Alternative Performance Measure (non-GAAP financial measure) and is not a measure of financial performance under IFRS-EU. Because it is not determined in accordance with IFRS-EU, operating result as presented by NN Group may not be comparable to other similarly titled measures of performance of other companies.

### Segments (2016)

1 July to 30 September	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Asset manage- ment	Other	Japan Closed Block VA	Total
Investment margin	178		16	-6			-1	187
Fees and premium-based revenues	78		136	162	119		14	509
Technical margin	30		50	-11				70
Operating income non-modelled life business			1					1
<b>Operating income</b>	<b>286</b>	<b>0</b>	<b>202</b>	<b>145</b>	<b>119</b>	<b>0</b>	<b>14</b>	<b>766</b>
Administrative expenses	100		77	32	81		4	294
DAC amortisation and trail commissions	9		75	72			2	158
<b>Expenses</b>	<b>108</b>	<b>0</b>	<b>152</b>	<b>105</b>	<b>81</b>	<b>0</b>	<b>6</b>	<b>452</b>
Non-life operating result		21	2					23
Operating result Other						-11		-11
<b>Operating result</b>	<b>178</b>	<b>21</b>	<b>52</b>	<b>40</b>	<b>38</b>	<b>-11</b>	<b>8</b>	<b>327</b>
Non-operating items:								
- gains/losses and impairments	112	1	71	2	-1	3		188
- revaluations	58	6	1	-3		-4		58
- market & other impacts	11		-6				-21	-16
Special items before tax	-1		-6		-1	-2		-10
<b>Result before tax</b>	<b>358</b>	<b>27</b>	<b>113</b>	<b>39</b>	<b>36</b>	<b>-14</b>	<b>-13</b>	<b>547</b>
Taxation	64	4	23	7	10	6	-3	111
Minority interests								0
<b>Net result</b>	<b>294</b>	<b>23</b>	<b>90</b>	<b>32</b>	<b>27</b>	<b>-20</b>	<b>-9</b>	<b>436</b>

## Notes to the Condensed consolidated interim accounts – continued

### Segments (2015)

1 July to 30 September	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Asset manage- ment	Other	Japan Closed Block VA	Total
Investment margin	260		17	-5				271
Fees and premium-based revenues	83		135	128	124		23	492
Technical margin	43		50	-3				89
Operating income non-modelled life business			1					1
<b>Operating income</b>	<b>385</b>	<b>0</b>	<b>202</b>	<b>119</b>	<b>124</b>	<b>0</b>	<b>23</b>	<b>852</b>
Administrative expenses	107		73	29	90		4	303
DAC amortisation and trail commissions	11		77	54			2	144
<b>Expenses</b>	<b>118</b>	<b>0</b>	<b>150</b>	<b>82</b>	<b>90</b>	<b>0</b>	<b>6</b>	<b>446</b>
Non-life operating result		24	1					25
Operating result Other						-23		-23
<b>Operating result</b>	<b>267</b>	<b>24</b>	<b>53</b>	<b>37</b>	<b>34</b>	<b>-23</b>	<b>16</b>	<b>408</b>
Non-operating items:								
- gains/losses and impairments	104	11	3	10		2		131
- revaluations	-37	-8	2	-13				-56
- market & other impacts	-21						-80	-100
Special items before tax			-8	-1	-3			-12
Result on divestments	1							1
<b>Result before tax</b>	<b>315</b>	<b>28</b>	<b>50</b>	<b>33</b>	<b>31</b>	<b>-21</b>	<b>-64</b>	<b>372</b>
Taxation	37		17	5	8	-7	-19	41
Minority interests	3							2
<b>Net result</b>	<b>275</b>	<b>28</b>	<b>33</b>	<b>28</b>	<b>24</b>	<b>-14</b>	<b>-44</b>	<b>329</b>

### Segments (2016)

1 January to 30 September	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Asset manage- ment	Other	Japan Closed Block VA	Total
Investment margin	578		49	-18			-2	607
Fees and premium-based revenues	254		407	468	343		43	1,515
Technical margin	60		143	-20				183
Operating income non-modelled life business			2					2
<b>Operating income</b>	<b>893</b>	<b>0</b>	<b>601</b>	<b>429</b>	<b>343</b>	<b>0</b>	<b>42</b>	<b>2,308</b>
Administrative expenses	316		233	88	243		12	891
DAC amortisation and trail commissions	30		232	212			5	479
<b>Expenses</b>	<b>346</b>	<b>0</b>	<b>466</b>	<b>299</b>	<b>243</b>	<b>0</b>	<b>17</b>	<b>1,371</b>
Non-life operating result		49	2					52
Operating result Other						-20		-20
<b>Operating result</b>	<b>547</b>	<b>49</b>	<b>138</b>	<b>130</b>	<b>100</b>	<b>-20</b>	<b>24</b>	<b>969</b>
Non-operating items:								
- gains/losses and impairments	209	24	66	2	-1	6		306
- revaluations	161	13	3	-7		-10		161
- market & other impacts	68		-9				-134	-75
Special items before tax	-3	-12	-28	-2	-3	-7		-56
<b>Result before tax</b>	<b>982</b>	<b>75</b>	<b>170</b>	<b>124</b>	<b>95</b>	<b>-31</b>	<b>-110</b>	<b>1,305</b>
Taxation	184	14	37	25	24	5	-27	263
Minority interests	1							1
<b>Net result</b>	<b>797</b>	<b>61</b>	<b>133</b>	<b>99</b>	<b>71</b>	<b>-36</b>	<b>-83</b>	<b>1,041</b>

The insurance liabilities are adequate at both the 90% and 50% confidence levels, both in aggregate for NN Group and for each of the segments. The insurance liabilities in the segments Netherlands Life and Japan Closed Block VA are approximately at the 90% confidence level.

## Notes to the Condensed consolidated interim accounts – continued

Special items in 2016 reflect disentanglement-related IT expenses in Belgium, restructuring expenses related to the target to reduce the administrative expense base of Netherlands Life, Netherlands Non-life and corporate/holding entities and rebranding expenses.

### Segments (2015)

1 January to 30 September	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Asset manage- ment	Other	Japan Closed Block VA	Total
Investment margin	681		58	-10				729
Fees and premium-based revenues	279		402	401	377		74	1,533
Technical margin	150		146	-11				285
Operating income non-modelled life business			3					3
<b>Operating income</b>	<b>1,110</b>	<b>0</b>	<b>609</b>	<b>380</b>	<b>377</b>	<b>0</b>	<b>74</b>	<b>2,550</b>
Administrative expenses	322		225	80	269		14	910
DAC amortisation and trail commissions	37		238	167			8	450
<b>Expenses</b>	<b>359</b>	<b>0</b>	<b>463</b>	<b>247</b>	<b>269</b>	<b>0</b>	<b>22</b>	<b>1,360</b>
Non-life operating result		93	3					96
Operating result Other						-50		-50
<b>Operating result</b>	<b>751</b>	<b>93</b>	<b>148</b>	<b>133</b>	<b>108</b>	<b>-50</b>	<b>52</b>	<b>1,236</b>
Non-operating items:								
- gains/losses and impairments	282	15	23	14		13		349
- revaluations	94	1	5	-14		-1		85
- market & other impacts	-132						-56	-188
Special items before tax	-2	-1	-38	-8	-18			-67
Result on divestments	1							1
<b>Result before tax</b>	<b>995</b>	<b>109</b>	<b>138</b>	<b>125</b>	<b>90</b>	<b>-38</b>	<b>-4</b>	<b>1,416</b>
Taxation	112	15	39	20	24	-11	-17	183
Minority interests	25		3					28
<b>Net result</b>	<b>858</b>	<b>93</b>	<b>96</b>	<b>105</b>	<b>67</b>	<b>-27</b>	<b>13</b>	<b>1,205</b>

Special items in 2015 reflect expenses related to the rebranding of NN Group's subsidiaries and restructuring expenses related to the target to reduce the administrative expense base in the Netherlands.

## 16 Taxation

### Taxation on components of other comprehensive income

	1 July to 30 September 2016	1 July to 30 September 2015	1 January to 30 September 2016	1 January to 30 September 2015
Unrealised revaluations property in own use			1	
Unrealised revaluations available-for-sale investments and other	45	-368	-1,769	239
Realised gains/losses transferred to the profit and loss account	41	18	67	32
Changes in cash flow hedge reserve	-28	-70	-503	102
Deferred interest credited to policyholders	-21	142	652	-142
Remeasurement of the net defined benefit asset/liability	3	1	17	-7
<b>Income tax</b>	<b>40</b>	<b>-277</b>	<b>-1,535</b>	<b>224</b>

# Notes to the Condensed consolidated interim accounts – continued

## 17 Fair value of financial assets and liabilities

The following table presents the estimated fair value of NN Group's financial assets and liabilities. Certain balance sheet items are not included in the table, as they do not meet the definition of a financial asset or liability. The aggregation of the fair value presented below does not represent and should not be construed as representing, the underlying value of NN Group.

### Fair value of financial assets and liabilities

	Estimated fair value		Balance sheet value	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
<b>Financial assets</b>				
Cash and cash equivalents	9,131	7,436	9,131	7,436
Financial assets at fair value through profit or loss:				
– investments for risk of policyholders	31,485	35,154	31,485	35,154
– non-trading derivatives	6,809	4,656	6,809	4,656
– designated as at fair value through profit or loss	1,308	443	1,308	443
Available-for-sale investments	83,755	74,393	83,755	74,393
Loans	37,545	33,787	34,533	31,013
<b>Financial assets</b>	<b>170,033</b>	<b>155,869</b>	<b>167,021</b>	<b>153,095</b>
<b>Financial liabilities</b>				
Subordinated debt	2,408	2,383	2,288	2,290
Debt securities issued	628	589	597	597
Other borrowed funds	8,053	6,793	7,952	6,785
Investment contracts for risk of company	758	1,757	703	1,436
Investment contracts for risk of policyholders	1,543	1,585	1,543	1,585
Customer deposits and other funds on deposit	10,226	8,469	9,682	8,034
Financial liabilities at fair value through profit or loss:				
– non-trading derivatives	2,472	1,701	2,472	1,701
<b>Financial liabilities</b>	<b>26,088</b>	<b>23,277</b>	<b>25,237</b>	<b>22,428</b>

For other financial assets and financial liabilities not included in the table above, including short-term receivables and payables, the carrying amount is a reasonable approximation of fair value.

The estimated fair value represents the price at which an orderly transaction to sell the financial asset or to transfer the financial liability would take place between market participants at the balance sheet date ('exit price'). The fair value of financial assets and liabilities is based on unadjusted quoted market prices, where available. Such quoted market prices are primarily obtained from exchange prices for listed instruments. Where an exchange price is not available market prices are obtained from independent market vendors, brokers or market makers. Because substantial trading markets do not exist for all financial instruments, various techniques have been developed to estimate the approximate fair value of financial assets and liabilities that are not actively traded. The fair value presented may not be indicative of the net realisable value. In addition, the calculation of the estimated fair value is based on market conditions at a specific point in time and may not be indicative of the future fair value.

Further information on the methods and assumptions that were used by NN Group to estimate the fair value of the financial instruments and the sensitivities for changes in these assumptions is disclosed in Note 35 'Fair value of financial assets and liabilities' of the 2015 NN Group Consolidated annual accounts.

## Notes to the Condensed consolidated interim accounts – continued

### Financial assets and liabilities at fair value

The fair value of the financial instruments carried at fair value was determined as follows:

#### Methods applied in determining the fair value of financial assets and liabilities (2016)

30 September 2016	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Investments for risk of policyholders	30,130	512	843	31,485
Non-trading derivatives	242	6,321	246	6,809
Financial assets designated as at fair value through profit or loss	475	825	8	1,308
Available-for-sale investments	62,617	19,712	1,426	83,755
<b>Financial assets</b>	<b>93,464</b>	<b>27,370</b>	<b>2,523</b>	<b>123,357</b>
<b>Financial liabilities</b>				
Investment contracts (for contracts at fair value)	1,515	28		1,543
Non-trading derivatives	26	2,192	254	2,472
<b>Financial liabilities</b>	<b>1,541</b>	<b>2,220</b>	<b>254</b>	<b>4,015</b>

#### Methods applied in determining the fair value of financial assets and liabilities (2015)

31 December 2015	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Investments for risk of policyholders	31,644	2,697	813	35,154
Non-trading derivatives	234	4,214	208	4,656
Financial assets designated as at fair value through profit or loss	169	272	2	443
Available-for-sale investments	52,075	20,731	1,587	74,393
<b>Financial assets</b>	<b>84,122</b>	<b>27,914</b>	<b>2,610</b>	<b>114,646</b>
<b>Financial liabilities</b>				
Investment contracts (for contracts at fair value)	1,551	34		1,585
Non-trading derivatives	8	1,486	207	1,701
<b>Financial liabilities</b>	<b>1,559</b>	<b>1,520</b>	<b>207</b>	<b>3,286</b>

#### Level 1 – (Unadjusted) Quoted prices in active markets

This category includes financial instruments whose fair value is determined directly by reference to published quotes in an active market that NN Group can access. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions with sufficient frequency and volume to provide reliable pricing information on an ongoing basis.

#### Level 2 – Valuation technique supported by observable inputs

This category includes financial instruments whose fair value is determined using a valuation technique (e.g. a model), where inputs in the model are taken from an active market or are observable. If certain inputs in the model are unobservable the instrument is still classified in this category, provided that the impact of those unobservable inputs elements on the overall valuation is insignificant. Included in this category are items whose value is derived from quoted prices of similar instruments, but for which the prices are modified based on other market observable external data and items whose value is derived from quoted prices but for which there was insufficient evidence of an active market.

#### Level 3 – Valuation technique supported by unobservable inputs

This category includes financial instruments whose fair value is determined using a valuation technique (e.g. a model) for which more than an insignificant part of the inputs in terms of the overall valuation are not market observable. This category also includes financial assets and liabilities whose fair value is determined by reference to price quotes but for which the market is considered inactive. An instrument is classified in its entirety as Level 3 if a significant portion of the instrument's fair value is driven by unobservable inputs. Unobservable in this context means that there is little or no current market data available from which the price at which an orderly transaction would likely occur can be derived.

## Notes to the Condensed consolidated interim accounts – continued

### Changes in Level 3 Financial assets (2016)

	Trading assets	Investments for risk of policyholders	Non-trading derivatives	Financial assets designated as at fair value through profit or loss	Available-for- sale investments	Total
<b>30 September 2016</b>						
Level 3 Financial assets – Opening balance	0	813	208	2	1,587	2,610
Amounts recognised in the profit and loss account		22	-1		-1	20
Revaluations recognised in other comprehensive income (equity)					-30	-30
Purchase of assets		23	39	35	302	399
Sale of assets		-15		-29	-10	-54
Maturity/settlement					-128	-128
Reclassification					-263	-263
Exchange rate differences					-31	-31
<b>Level 3 Financial assets – Closing balance</b>	<b>0</b>	<b>843</b>	<b>246</b>	<b>8</b>	<b>1,426</b>	<b>2,523</b>

### Changes in Level 3 Financial assets (2015)

	Trading assets	Investments for risk of policyholders	Non-trading derivatives	Financial assets designated as at fair value through profit or loss	Available-for- sale investments	Total
<b>31 December 2015</b>						
Level 3 Financial assets – Opening balance	604	240	0	0	1,851	2,695
Amounts recognised in the profit and loss account	-22	-7	-3		11	-21
Revaluations recognised in other comprehensive income (equity)					57	57
Purchase of assets	17	70	168		293	548
Sale of assets	-165	-241			-353	-759
Maturity/settlement					-64	-64
Reclassification	-2			2		0
Transfers into Level 3	14	747	43			804
Transfers out of Level 3					-177	-177
Changes in the composition of the group	-446				-39	-485
Exchange rate differences		4			8	12
<b>Level 3 Financial assets – Closing balance</b>	<b>0</b>	<b>813</b>	<b>208</b>	<b>2</b>	<b>1,587</b>	<b>2,610</b>

### Transfers into Level 3

The transfers into Level 3 mainly reflect an improved fair value measurement of certain investments for risk of policyholders, resulting in classification as Level 3 instead of Level 2. The (changes in) fair value of these investments have no net impact on profit or loss or shareholders' equity as these are offset by (changes in) liabilities for Insurance and investment contracts.

### Changes in Level 3 Financial liabilities (2016)

	Non-trading derivatives
<b>30 September 2016</b>	
Level 3 Financial liabilities – Opening balance	207
Amounts recognised in the profit and loss account	8
Purchase of assets	39
<b>Level 3 Financial liabilities – Closing balance</b>	<b>254</b>

### Changes in Level 3 Financial liabilities (2015)

	Non-trading derivatives
<b>31 December 2015</b>	
Level 3 Financial liabilities – Opening balance	0
Purchase of assets	167
Transfers into Level 3	40
<b>Level 3 Financial liabilities – Closing balance</b>	<b>207</b>

## Notes to the Condensed consolidated interim accounts – continued

### Level 3 – Amounts recognised in the profit and loss account (2016)

30 September 2016	Held at balance sheet date	Derecognised during the period	Total
<b>Financial assets</b>			
Investments for risk of policyholders	22		22
Non-trading derivatives	-1		-1
Available-for-sale investments	-1		-1
<b>Financial assets</b>	<b>20</b>	<b>0</b>	<b>20</b>
<b>Financial liabilities</b>			
Non-trading derivatives	8		8
<b>Financial liabilities</b>	<b>8</b>	<b>0</b>	<b>8</b>

### Level 3 – Amounts recognised in the profit and loss account (2015)

31 December 2015	Held at balance sheet date	Derecognised during the period	Total
<b>Financial assets</b>			
Trading assets		-22	-22
Investments for risk of policyholders	-7		-7
Non-trading derivatives	-3		-3
Available-for-sale investments	-7	18	11
<b>Financial assets</b>	<b>-17</b>	<b>-4</b>	<b>-21</b>

## 18 Companies and businesses acquired and divested

### Acquisitions (2016)

#### Notus Financial Advisors, Poland

In May 2016 NN Group announced that it had reached an agreement to acquire 100% of the shares of Dom Kredytowy Notus S.A. ('Notus'). Notus is a leading financial broker in Poland, offering mortgage loans, insurance, investment and savings products. The transaction was closed in the third quarter of 2016 and did not have a material impact on the capital position and operating result of NN Group.

### Divestments (2016)

#### Mandema & Partners

In July 2016, NN Group announced that it had reached an agreement to sell its 100% subsidiary, Mandema & Partners, to Van Lanschot Chabot. The transaction is not expected to have a significant impact on the capital position and operating result of NN Group. The transaction is subject to regulatory approval and the advice of the central works council of NN Group and workers' council of Van Lanschot Chabot. The transaction is expected to close before the end of the first quarter of 2017.

#### NN Re (Ireland)

In October 2016, NN Group announced that its wholly-owned reinsurance entity in Ireland, NN Re (Ireland) Ltd., has signed a portfolio transfer agreement with Canada Life International Re Limited. The agreement is a result of the continuous strategic assessment of NN Group's portfolio. As a result of this portfolio transfer, NN Re (Ireland) Ltd. has handed back its reinsurance license and is expected to repatriate capital for an amount of approximately EUR 65 million to NN Group in the fourth quarter of 2016. The portfolio transfer and the capital repatriation are expected to result in a total after tax loss of approximately EUR 25 million (pre-tax loss of approximately EUR 55 million), which will be recognised in the segment 'Other' in the fourth quarter of 2016. These transactions will not impact NN Group's reinsurance business in the Netherlands.

### Acquisitions (2015)

#### Polish pension fund

During the first six months of 2015, NN Group reached an agreement with ING Bank Slaski to acquire the remaining 20% stake in the Polish pension fund, NN Powszechnie Towarzystwo Emerytalne S.A. (NN PTE) in which NN Group held 80% of the shares. In July 2015 NN Group completed the acquisition of the remaining stake for a consideration of PLN 128 million (approximately EUR 31 million). The consideration reflects a purchase price of PLN 210 million adjusted by a PLN 82 million dividend paid by NN PTE to ING Bank Slaski prior to completion. NN PTE manages the second pillar open-ended pension fund and the open-ended third-pillar voluntary pension fund.



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## Divestments (2015)

### Parcom Capital Management

In December 2015, NN Group completed the sale of its wholly owned private equity management company, Parcom Capital Management. The divestment result on the sale of Parcom Capital Management is included in 'Results on disposals of group companies'. As a consequence of the sale of the asset management company, NN Group no longer has control over its investments in private equity funds, which are managed by Parcom Capital Management. These private equity funds were previously consolidated and the underlying investments were included in the Consolidated balance sheet in Trading assets and Available-for-sale investments. As a consequence of the divestment of Parcom Capital Management, these underlying investments were derecognised and the investments in the private equity funds are now included in the balance sheet under Associates and Joint ventures.

## 19 Other events

### Unit-linked products in the Netherlands

Nationale-Nederlanden continues to reach out to customers to encourage them to carefully assess their unit-linked products in order to find an appropriate solution on an individual basis, where needed. On 29 March 2016 KiFiD issued its final ruling (in first instance) related to a unit-linked product in an individual case in which the complainant is assisted by a consumer claims association. KiFiD concluded, among other things, that there is no contractual basis for charging initial costs and that an insurer is obliged to warn against the leverage and capital consumption effect. Nationale-Nederlanden believes that the KiFiD has incorrectly applied the ruling of the European Court of Justice of 29 April 2015 and is appealing the KiFiD ruling with the Appeals Committee of the KiFiD. Dutch courts and KiFiD will continue to provide an interpretation of the ruling of the European Court of Justice with respect to information provision requirements related to unit-linked products in proceedings against Nationale-Nederlanden and other Dutch insurance companies. The KiFiD ruling does not change earlier statements and conclusions disclosed by NN Group in relation to unit-linked products.

### Insurance business in South Korea

Arbitration proceedings that were initiated in 2014 by the purchaser of NN Group's former insurance subsidiary in South Korea alleging that the financial condition of this subsidiary was not accurately depicted, are ongoing. At this stage the financial impact of these proceedings, if any, remains uncertain.

## 20 Subsequent events

### NN Group intends to make an all-cash offer for Delta Lloyd of EUR 5.30 per ordinary share

On 5 October 2016 NN Group announced that it has shared its views on the rationale and the benefits of combining Delta Lloyd and the Dutch and Belgian activities of NN Group with the Executive Board and the Supervisory Board of Delta Lloyd. NN Group has submitted a proposal to the Boards of Delta Lloyd to combine these activities by way of a public tender offer to be made by NN Group for the entire issued and outstanding ordinary share capital of Delta Lloyd for EUR 5.30 in cash per ordinary Delta Lloyd share.

The offer will be subject to customary pre-offer and offer conditions precedent for transactions of this nature, including, but not limited to, a minimum acceptance level, anti-trust clearance and other regulatory approvals, including from the Dutch Central Bank.

## Notes to the Condensed consolidated interim accounts – continued

### 21 Capital management

#### Solvency II Capital ratio

	30 September 2016	31 December 2015
Basic Own Funds	15,255	14,809
Non-available Own Funds	1,382	1,271
Non-eligible Own Funds		197
<b>Eligible Own Funds (a)</b>	<b>13,873</b>	<b>13,341</b>
of which Tier 1 Unrestricted	9,173	8,484
of which Tier 1 Restricted	1,929	1,844
of which Tier 2	1,054	1,061
of which Tier 3	631	735
of which non-solvency II regulated entities	1,086	1,217
<b>Solvency Capital Requirements (b)</b>	<b>5,871</b>	<b>5,587</b>
of which non-solvency II regulated entities	476	684
<b>NN Group Solvency II ratio (a/b)<sup>1</sup></b>	<b>236%</b>	<b>239%</b>

1. The solvency ratios are not final until filed with the regulators. The Solvency II ratio is based on the partial internal model.

On 19 April, the Dutch regulator DNB designated NN Group as a financial conglomerate (FICO) effective from 1 January 2016. As of that date NN Group N.V. qualifies as a mixed financial holding company and is subject to supplemental group supervision by DNB in accordance with the requirements of the EU's Financial Conglomerate Directive. As a result, DNB has required NN Group to deduct its participation in credit institutions from the NN Group Solvency II ratio. Accordingly, NN Group now excludes NN Bank from both Own funds and the Solvency Capital Requirement (SCR). The NN Group Solvency II ratio of 239% at the end of 2015 would have been 245% on a comparable basis.

The Solvency II ratio at 30 September 2016 includes the impact of the EUR 250 million share buyback in January 2016, the deduction of the EUR 500 million share buyback programme and the 2016 interim dividend of EUR 195 million.

NN Group intends to refinance the EUR 0.8 billion of hybrid loans outstanding with ING Group, which are currently grandfathered as Tier 1 capital under Solvency II. These hybrid loans, should they remain outstanding, will cease to be grandfathered as Solvency II capital from 1 January 2017.

# Authorisation of the Condensed consolidated interim accounts

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The Hague, 16 November 2016

## The Supervisory Board

J.H. (Jan) Holsboer, chair  
D.H. (Dick) Harryvan, vice-chair  
H.J.G. (Heijo) Hauser  
R.W. (Robert) Jenkins  
Y.C.M.T. (Yvonne) van Rooij  
J.W. (Hans) Schoen  
H.M. (Hélène) Vletter-van Dort

## The Executive Board

E. (Lard) Friese, CEO, chair  
D. (Delfin) Rueda, CFO, vice-chair

# Review report

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**To: the Shareholders and Supervisory Board of NN Group N.V.**

## **Introduction**

We have reviewed the accompanying condensed consolidated interim accounts for the nine-month period ended 30 September 2016 of NN Group N.V., The Hague, as included on page 4 to 27 of this report. These condensed consolidated interim accounts comprise the condensed consolidated balance sheet as at 30 September 2016 and the condensed consolidated profit and loss account, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity and the notes for the nine-month period then ended. Management of the Company is responsible for the preparation and presentation of the condensed consolidated interim accounts in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim accounts based on our review.

## **Scope**

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

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim accounts as at and for the nine-month period ended 30 September 2016 are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Amstelveen, 16 November 2016

KPMG Accountants N.V.

P.A.M. de Wit RA

This report is available as a pdf file on  
[www.nn-group.com](http://www.nn-group.com)

## Contact us

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Commercial register of Amsterdam, no. 52387534

## Important legal information

NN Group's Consolidated Annual Accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS-EU') and with Part 9 of Book 2 on the Dutch Civil Code.

In preparing the financial information in this document, the same accounting principles are applied as in the 2015 NN Group Consolidated Annual Accounts.

All figures in this document are unaudited. Small differences are possible in the tables due to rounding. Certain of the statements contained herein 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 Group's core markets, (2) changes in performance of financial markets, including developing markets, (3) consequences of a potential (partial) break-up of the euro, (4) changes in the availability of and costs associated with, sources of liquidity as well as conditions in the credit markets generally, (5) the frequency and severity of insured loss events, (6) changes affecting mortality and morbidity levels and trends, (7) changes affecting persistency levels, (8) changes affecting interest rate levels, (9) changes affecting currency exchange rates, (10) changes in investor, customer and policyholder behaviour, (11) changes in general competitive factors, (12) changes in laws and regulations, (13) changes in the policies of governments and/or regulatory authorities, (14) conclusions with regard to accounting assumptions and methodologies, (15) changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards, (16) changes in credit and financial strength ratings, (17) NN Group's ability to achieve projected operational synergies and (18) the other risks and uncertainties detailed in the Risk Factors section contained in recent public disclosures made by NN Group.

Any forward-looking statements made by or on behalf of NN Group speak only as of the date they are made and, NN Group 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.

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