

**NN Group N.V.
30 June 2018
Condensed
consolidated
interim financial
information**

Condensed consolidated interim financial information contents

Condensed consolidated interim financial information	3
Interim report	
Overview	3
Profit and loss account	4
Balance sheet	15
Capital management	15
Conformity statement	18
Condensed consolidated interim accounts	19
Condensed consolidated balance sheet	19
Condensed consolidated profit and loss account	20
Condensed consolidated statement of comprehensive income	21
Condensed consolidated statement of cash flows	22
Condensed consolidated statement of changes in equity	24
Notes to the condensed consolidated interim accounts	26
1 Accounting policies	26
2 Available-for-sale investments	26
3 Loans	27
4 Associates and joint ventures	28
5 Real estate investments	29
6 Intangible assets	29
7 Other assets	29
8 Equity	29
9 Subordinated debt	31
10 Debt securities issued	31
11 Insurance and investment contracts, reinsurance contracts	32
12 Other liabilities	32
13 Investment income	33
14 Underwriting expenditure	33
15 Staff expenses	34
16 Earnings per ordinary share	34
17 Segments	35
18 Taxation	40
19 Fair value of financial assets and liabilities	41
20 Companies and businesses acquired and divested	44
21 Other events	44
22 Capital management	45
Authorisation of the condensed consolidated interim accounts	46
Other information	47
Review report	47

Interim report

Overview

NN Group N.V.

Profile

NN Group is an international financial services company active in 18 countries, with a strong presence in a number of European countries and Japan. Our roots lie in the Netherlands, with a rich history that stretches back more than 170 years. Life is about living. That is why we do our very best to help our customers achieve their dreams and overcome adversity along the way. Through our retirement services, insurance, investments and banking products, we are committed to helping people secure their financial futures.

Acquisition of Delta Lloyd

Following the acquisition of Delta Lloyd N.V. ('Delta Lloyd') in the second quarter of 2017, Delta Lloyd was consolidated as of 1 April 2017. Therefore, comparative figures in the profit and loss account for the period 1 January to 30 June 2017 do not include those of Delta Lloyd for the period 1 January to 31 March 2017. Information on the acquisition of Delta Lloyd, the acquisition accounting under IFRS and the impact on the financial information is included in Note 44 'Companies and businesses acquired and divested' in the 2017 NN Group Consolidated annual accounts.

Changes to the Supervisory Board

Yvonne van Rooij has stepped down as Supervisory Board member as at 31 May 2018. Following her resignation, the General Meeting appointed David Cole as member of the Supervisory Board effective 1 January 2019.

Interim report Continued

NN Group N.V.

Profit and loss account

Analysis of result

amounts in millions of euros	1 January to 30 June 2018	1 January to 30 June 2017
- Netherlands Life	544	511
- Netherlands Non-life	8	4
- Insurance Europe	134	115
- Japan Life	93	123
- Asset Management	82	70
- Other	-41	-12
Operating result ongoing business	821	810
Non-operating items ongoing business	490	379
- of which gains/losses and impairments	370	276
- of which revaluations	204	86
- of which market & other impacts	-84	17
Japan Closed Block VA	4	-8
Special items before tax	-165	-87
Amortisation of acquisition intangibles	-66	-33
Result on divestments	4	-179
Result before tax	1,088	882
Taxation	222	200
Minority interests	3	6
Net result	862	676

Key figures

amounts in millions of euros	1 January to 30 June 2018	1 January to 30 June 2017
New sales life insurance (APE)	904	1,020
Value of new business (VNB)	205	170
Total administrative expenses	1,065	1,009
Net operating ROE ¹	9.5%	10.9%
Solvency II ratio at 30 June ²	226%	196%

1 Net operating ROE is calculated as the (annualised) net operating result of the ongoing business, adjusted to reflect the deduction of the accrued coupon on undated subordinated notes classified in equity, divided by (average) adjusted allocated equity of ongoing business. Adjusted allocated equity is an Alternative Performance Measure. It is derived from IFRS equity by excluding revaluation reserves, the undated subordinated notes classified as equity as well as the goodwill and intangible assets recognised as a result of the Delta Lloyd acquisition. Reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the 2017 Consolidated annual accounts.

2 The solvency ratios are not final until filed with the regulators. The Solvency II ratios for NN Group and NN Life are based on the partial internal model. The Solvency II ratio for Delta Lloyd Life (Delta Lloyd Levensverzekering N.V.) is based on the standard formula.

Note: Operating result and Adjusted allocated equity (as used in the calculation of Net operating ROE) are Alternative Performance Measures. These measures are derived from figures according to IFRS-EU. The operating result is derived by adjusting the reported result before tax to exclude the impact of result on divestments, the amortisation of acquisition intangibles, discontinued operations and special items, gains/losses and impairments, revaluations and market & other impacts. The adjusted allocated equity is derived by adjusting the reported total equity to exclude revaluation reserves, the undated subordinated notes classified as equity as well as the goodwill and intangible assets recognised as a result of the Delta Lloyd acquisition. Alternative Performance Measures are non-IFRS-EU measures that have a relevant IFRS-EU equivalent. For definitions and explanations of the Alternative Performance Measures reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the 2017 Consolidated annual accounts.

Operating result

In the first six months of 2018, the operating result of the ongoing business was EUR 821 million versus EUR 810 million in the same period last year.

Result before tax

The result before tax increased to EUR 1,088 million from EUR 882 million in the first six months of 2017, which included a provision related to ING Australia Holdings. The increase reflects higher non-operating items partly offset by higher special items and the inclusion of amortisation of acquisition intangibles from the second quarter of 2017.

Interim report Continued

Sales and Value of New Business

In the first six months of 2018, total new sales were EUR 904 million, down 7.7% on a constant currency basis, mainly due to lower sales at Netherlands Life, partly compensated by higher sales at Japan Life.

In the first six months of 2018 the value of new business (VNB) increased to EUR 205 million from EUR 170 million in the same period last year. The increase was driven by higher sales and a more profitable business mix at Japan Life, while at Insurance Europe the impact of lower sales was more than offset by a more profitable business mix.

Net operating Return On Equity (ROE)

The net operating ROE in the first six months of 2018 decreased to 9.5% from 10.9% in the same period of 2017, due to higher equity.

Interim report Continued

Netherlands Life

Analysis of result

amounts in millions of euros	1 January to 30 June 2018	1 January to 30 June 2017
Investment margin	473	452
Fees and premium-based revenues	236	216
Technical margin	100	98
Operating income	809	766
Administrative expenses	244	233
DAC amortisation and trail commissions	21	22
Expenses	265	255
Operating result	544	511
Non-operating items	487	284
– of which gains/losses and impairments	346	191
– of which revaluations	210	76
– of which market & other impacts	-68	17
Special items before tax	-27	-22
Result before tax	1,005	772
Taxation	207	139
Minority interests	4	4
Net result	794	629

Key figures

amounts in millions of euros	1 January to 30 June 2018	1 January to 30 June 2017
New sales life insurance (APE)	191	288
Value of new business (VNB)	5	6
Total administrative expenses	244	233
Net operating ROE ¹	9.3%	12.0%
NN Life Solvency II ratio at 30 June ²	239%	220%
Delta Lloyd Life Solvency II ratio at 30 June ²	190%	139%

1 Net operating ROE is calculated as the (annualised) net operating result of the segment, divided by (average) adjusted allocated equity. Adjusted allocated equity is an Alternative Performance Measure. It is derived from IFRS equity by excluding revaluation reserves. Reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the 2017 Consolidated annual accounts.

2 The solvency ratios are not final until filed with the regulators. The Solvency II ratios for NN Group and NN Life are based on the partial internal model. The Solvency II ratio for Delta Lloyd Life (Delta Lloyd Levensverzekering N.V.) is based on the standard formula.

In the first six months of 2018, Netherlands Life's operating result increased to EUR 544 million from EUR 511 million in the same period last year. The increase reflects the inclusion of Delta Lloyd from the second quarter of 2017 and expense reductions.

The result before tax increased to EUR 1,005 million in the first six months of 2018 compared with EUR 772 million in the same period last year. The increase reflects the higher operating result and higher revaluations on real estate investments. Higher gains on the sale of public equity, real estate and government bonds also contributed to the increase. This was partly offset by lower revaluations on private equity, as well as lower market and other impacts.

New sales (APE) decreased to EUR 191 million in the first six months of 2018 from EUR 288 million in the same period last year, reflecting a lower volume of group pension contracts up for renewal, partly offset by the inclusion of Delta Lloyd from the second quarter of 2017.

The value of new business (VNB) was EUR 5 million in the first six months of 2018 versus EUR 6 million in the same period last year.

Interim report Continued

Netherlands Non-life

Analysis of result

amounts in millions of euros	1 January to 30 June 2018	1 January to 30 June 2017
Earned premiums	1,427	1,099
Investment income	62	60
Other income	-3	1
Operating income	1,486	1,160
Claims incurred, net of reinsurance	1,082	848
Acquisition costs	251	170
Administrative expenses	158	147
Acquisition costs and administrative expenses	409	317
Expenditure	1,492	1,165
Operating result insurance businesses	-6	-5
Operating result health business and broker businesses	14	9
Total operating result	8	4
Non-operating items	12	16
– of which gains/losses and impairments	11	4
– of which revaluations	2	11
– of which market & other impacts	-1	
Special items before tax	-52	-2
Result before tax	-32	18
Taxation	-10	2
Minority interests		2
Net result	-21	13

Key figures

amounts in millions of euros	1 January to 30 June 2018	1 January to 30 June 2017
Gross premium income	1,940	1,441
Total administrative expenses ¹	196	176
Combined ratio^{2,3}	102.2%	103.2%
– of which Claims ratio ^{2,3}	73.6%	74.4%
– of which Expense ratio ³	28.7%	28.8%
Net operating ROE ⁴	2.3%	1.2%

1 Including health and broker businesses.

2 As of 2Q17, the calculation methodology for the combined ratio has been updated and now excludes the discount rate unwind on the D&A insurance liabilities. All comparative combined ratios have been updated to reflect this change.

3 Excluding health and broker businesses.

4 Net operating ROE is calculated as the (annualised) net operating result of the segment, divided by (average) adjusted allocated equity. Adjusted allocated equity is an Alternative Performance Measure. It is derived from IFRS equity by excluding revaluation reserves. Reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the 2017 Consolidated annual accounts.

In the first six months of 2018, the operating result of Netherlands Non-life increased to EUR 8 million from EUR 4 million in the same period last year. The first six months of 2018 included the EUR 56 million impact of the January storm, while the first six months of 2017 included the EUR 40 million impact of the strengthening of insurance liabilities in P&C. Excluding these items the increase was mainly attributable to lower administrative expenses and an improved claims experience in P&C, partly offset by a less favourable claims experience in D&A.

Interim report Continued

The result before tax for the first six months of 2018 decreased to EUR -32 million from EUR 18 million in the same period of 2017, mainly due to the impact of special items related to restructuring expenses and a charge related to the agreement with Van Ameyde to insource claims handling activities.

The combined ratio for the first six months of 2018 was 102.2% compared with 103.2% in the same period of 2017. Excluding the impact of the January storm and the strengthening of insurance liabilities, the combined ratio for the first six months of 2018 improved to 98.3% from 99.6% in the same period last year.

Interim report Continued

Insurance Europe

Analysis of result

amounts in millions of euros	1 January to 30 June 2018	1 January to 30 June 2017
Investment margin	46	38
Fees and premium-based revenues	354	322
Technical margin	101	93
Operating income non-modelled business	1	2
Operating income Life Insurance	503	456
Administrative expenses	198	181
DAC amortisation and trail commissions	167	159
Expenses Life Insurance	365	340
Operating result Life Insurance	138	116
Operating result Non-life	-4	
Operating result	134	115
Non-operating items	10	51
– of which gains/losses and impairments	11	41
– of which revaluations	5	10
– of which market & other impacts	-5	
Special items before tax	-13	-8
Result before tax	132	158
Taxation	29	25
Net result	103	133

Key figures

amounts in millions of euros	1 January to 30 June 2018	1 January to 30 June 2017
New sales life insurance (APE)	332	345
Value of new business (VNB)	83	72
Total administrative expenses (Life & Non-life)	207	187
Net operating ROE ¹	10.6%	11.9%

¹ Net operating ROE is calculated as the (annualised) net operating result of the segment, divided by (average) adjusted allocated equity. Adjusted allocated equity is an Alternative Performance Measure. It is derived from IFRS equity by excluding revaluation reserves. Reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the 2017 Consolidated annual accounts.

In the first six months of 2018, the operating result of Insurance Europe increased to EUR 134 million from EUR 115 million in the same period of 2017, mainly driven by higher fees and premium-based revenues, favourable mortality results and the inclusion of Delta Lloyd Belgium from the second quarter of 2017.

The result before tax in the first six months of 2018 decreased to EUR 132 million from EUR 158 million in the same period of 2017, reflecting lower gains on the sale of bonds and equity investments, partly offset by the higher operating result.

New sales (APE) in the first six months of 2018 decreased to EUR 332 million from EUR 345 million in the same period of 2017. The decrease is mainly due to lower sales of savings products in Greece and the sale of NN Life Luxembourg in October 2017, partly offset by the inclusion of Delta Lloyd Belgium from the second quarter of 2017.

In the first six months of 2018, the value of new business (VNB) increased to EUR 83 million from EUR 72 million in the same period of 2017 as the impact of lower sales was more than offset by a more profitable business mix and the inclusion of Delta Lloyd Belgium from the second quarter of 2017.

Interim report Continued

Japan Life

Analysis of result

amounts in millions of euros	1 January to 30 June 2018	1 January to 30 June 2017
Investment margin	-5	-4
Fees and premium-based revenues	318	328
Technical margin	-2	14
Operating income	311	339
Administrative expenses	65	68
DAC amortisation and trail commissions	152	148
Expenses	217	216
Operating result	93	123
Non-operating items	-13	-4
– of which gains/losses and impairments	-3	8
– of which revaluations	-10	-12
Special items before tax	-1	
Result before tax	79	118
Taxation	19	33
Net result	60	85

Key figures

amounts in millions of euros	1 January to 30 June 2018	1 January to 30 June 2017
New sales life insurance (APE)	381	387
Value of new business (VNB)	117	93
Total administrative expenses	65	68
Net operating ROE ¹	7.5%	10.8%

1 Net operating ROE is calculated as the (annualised) net operating result of the segment, divided by (average) adjusted allocated equity. Adjusted allocated equity is an Alternative Performance Measure. It is derived from IFRS equity by excluding revaluation reserves. Reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the 2017 Consolidated annual accounts. As of 2Q17, the net operating result and adjusted allocated equity used to calculate the Net operating ROE of Japan Life are adjusted for the impact of internal reinsurance ceded to NN Group's reinsurance business.

In the first six months of 2018 the operating result of Japan Life was EUR 93 million, down 18.0% compared with the same period last year, excluding currency effects. The decrease was due to lower mortality and surrender results and higher DAC amortisation, partially offset by an increase in fees and premium-based revenues due to larger in-force volumes.

The result before tax for the first six months of 2018 was EUR 79 million, down 27.6% compared with the same period last year, at constant currencies, due to the lower operating result and lower non-operating items.

New sales (APE) for the first six months of 2018 were EUR 381 million, up 6.2% compared with the same period last year, at constant currencies, driven by higher sales through the Sumitomo partnership which started in April 2017 and the bancassurance channel, despite increasing competition.

The value of new business (VNB) for the first six months of 2018 increased to EUR 117 million, up 35.8% from the same period of 2017 excluding currency effects, driven by higher sales and a more profitable business mix.

Interim report Continued

Asset Management

Analysis of result

amounts in millions of euros	1 January to 30 June 2018	1 January to 30 June 2017
Fees	256	253
Operating income	256	252
Administrative expenses	174	182
Operating result	82	70
Special items before tax	-16	-5
Result before tax	66	65
Taxation	15	17
Net result	51	48

Key figures

amounts in millions of euros	1 January to 30 June 2018	1 January to 30 June 2017
Total administrative expenses	174	182
Assets under Management (in EUR billion)	240	245
Net operating ROE ¹	28.1%	24.7%

¹ Net operating ROE is calculated as the (annualised) net operating result of the segment, divided by (average) adjusted allocated equity. Adjusted allocated equity is an Alternative Performance Measure. It is derived from IFRS equity by excluding revaluation reserves. Reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the 2017 Consolidated annual accounts.

In the first six months of 2018, the operating result increased to EUR 82 million from EUR 70 million in the same period of 2017, driven by higher fee income as a result of the inclusion of Delta Lloyd Asset Management from the second quarter of 2017 and lower administrative expenses.

The result before tax for the first six months of 2018 was EUR 66 million, up from EUR 65 million for the same period of 2017, as the higher operating result was partly offset by higher special items reflecting restructuring expenses.

Interim report Continued

Other

Analysis of result

amounts in millions of euros	1 January to 30 June 2018	1 January to 30 June 2017
Interest on hybrids and debt ¹	-54	-64
Investment income and fees	47	34
Holding expenses	-71	-54
Amortisation of intangible assets	-1	-1
Holding result	-78	-85
Operating result reinsurance business	-33	14
Operating result banking business	67	58
Other results	3	2
Operating result	-41	-12
Non-operating items	-6	33
– of which gains/losses and impairments	6	33
– of which revaluations	-3	
– of which market & other impacts	-9	
Special items before tax	-57	-49
Amortisation of acquisition intangibles	-66	-33
Result on divestments	4	-179
Result before tax	-166	-240
Taxation	-39	-16
Net result	-127	-225

¹ Does not include interest costs on subordinated debt treated as equity.

Key figures

amounts in millions of euros	1 January to 30 June 2018	1 January to 30 June 2017
Total administrative expenses	179	162
– of which reinsurance business	5	7
– of which banking business	103	99
– of which corporate/holding	72	56
NN Bank common equity Tier 1 ratio ¹	16.2%	14.0%
Total assets banking business (in EUR billion)	22	21
Net operating ROE banking business ²	14.0%	18.1%

¹ The Common equity Tier 1 ratio is not final until filed with the regulators. The 2017 ratios are for NN Bank, prior to the merger with Delta Lloyd Bank. The ratios for 2018 onwards are for the merged banking business of NN Bank and Delta Lloyd Bank.

² Net operating ROE is calculated as the (annualised) net operating result of the banking business, divided by (average) adjusted allocated equity. Adjusted allocated equity is an Alternative Performance Measure. It is derived from IFRS equity by excluding revaluation reserves. Reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the 2017 Consolidated annual accounts.

In the first six months of 2018, the operating result of the segment Other decreased to EUR -41 million from EUR -12 million in the same period of 2017. This decrease is mainly due to a lower operating result of the reinsurance business, partly compensated by a higher operating result of the banking business and an improved holding result.

The operating result of the reinsurance business decreased to EUR -33 million in the first six months of 2018 from EUR 14 million in the same period of 2017, mainly reflecting the EUR 33 million impact of the January storm as well as a EUR 8 million claim from a legacy reinsurance portfolio.

The operating result of the banking business increased to EUR 67 million in the first six months of 2018 from EUR 58 million in the same period of 2017, mainly driven by the inclusion of Delta Lloyd from the second quarter of 2017, partly offset by a lower interest result.

Interim report Continued

The result before tax of the segment Other improved to EUR -166 million in the first six months of 2018 from EUR -240 million in the first six months of 2017 which included a provision related to ING Australia Holdings, a realised gain on Delta Lloyd shares, a gain on the sale of the equity portfolio for rebalancing the assets of NN Re, as well as a gain on the sale of Mandema & Partners. The result before tax for the first six months of 2018 reflects a lower operating result, the inclusion of amortisation of acquisition intangibles from the second quarter of 2017, as well as higher special items related to restructuring expenses.

Interim report Continued

Japan Closed Block VA

Analysis of result

amounts in millions of euros	1 January to 30 June 2018	1 January to 30 June 2017
Investment margin	-1	-1
Fees and premium-based revenues	13	23
Operating income	12	22
Administrative expenses	4	6
DAC amortisation and trail commissions	2	3
Expenses	6	9
Operating result	6	13
Non-operating items	-2	-22
– of which market & other impacts	-2	-22
Result before tax	4	-8
Taxation	1	-2
Net result	3	-7

Key figures

amounts in millions of euros	1 January to 30 June 2018	1 January to 30 June 2017
Account value	3,466	6,546
Net Amount at Risk	80	180
IFRS Reserves	218	401
Number of policies	54,587	122,394

In the first six months of 2018 the result before tax was EUR 4 million compared with EUR -8 million in the same period a year ago, reflecting hedge-related results and a lower operating result.

In the first six months of 2018 the operating result before tax was EUR 6 million compared with EUR 13 million in the same period a year ago, down 49.9% excluding currency impacts, mainly due to lower fees and premium-based revenues driven by the run-off of the portfolio.

Interim report Continued

Balance sheet

Assets

Associates and joint ventures

Associates and joint ventures increased by EUR 1.5 billion mainly reflecting the increased participation rights in the Vesteda fund received on the sale of the Dutch residential real estate portfolio.

Real estate investments

Real estate investments decreased by EUR 1.2 billion mainly as a result of the aforementioned sale of the Dutch residential real estate portfolio to Vesteda.

Equity

Shareholders' equity increased by EUR 0.9 billion to EUR 23.6 billion mainly driven by the net result for the first six months of 2018.

Capital management

Solvency II

	30 June 2018	31 December 2017
Basic Own Funds	18,305	17,121
Non-available Own Funds	1,412	1,339
Non-eligible Own Funds	74	370
Eligible Own Funds to cover Solvency Capital Requirements (a)	16,819	15,412
– of which Tier 1 unrestricted	10,375	8,935
– of which Tier 1 restricted	1,894	1,885
– of which Tier 2	2,404	2,420
– of which Tier 3	1,042	1,085
– of which non-Solvency II regulated entities	1,104	1,087
Solvency Capital Requirements (b)	7,429	7,731
– of which Solvency Capital Requirements calculated on the basis of consolidated data	6,946	7,231
– of which the capital requirements for investment firms, pension funds and credit institutions	217	249
– of which the capital requirements for undertakings included under the D&A method	266	251
NN Group Solvency II ratio (a/b)¹	226%	199%

¹ The solvency ratios are not final until filed with the regulators. The Solvency II ratio for NN Group is based on the Partial Internal Model.

The NN Group Solvency II ratio increased to 226% at 30 June 2018 from 199% at 31 December 2017. This increase was mainly driven by a combination of operating capital generation and positive market impacts, partly offset by the impact of a reduction in the Ultimate Forward Rate (UFR) from 4.2% to 4.05% and the 2018 interim dividend. Market impacts were positive, reflecting the favourable impact from movements in credits spreads and positive real estate and equity revaluations.

Interim report Continued

Cash capital position at the holding company

	30 June 2018	31 December 2017
Beginning of period	1,434	2,489
Cash divestment proceeds		58
Dividends from subsidiaries ¹	792	1,818
Capital injections into subsidiaries ²	-4	-597
Other ³	-193	-397
Free cash flow to the holding⁴	595	881
Inclusion Delta Lloyd cash capital position		413
Acquisitions		-2,234
Capital flow to shareholders	-229	-665
Increase in debt and loans		549
End of period	1,799	1,434

1 Includes interest on subordinated loans provided to subsidiaries by the holding company.

2 Includes the change of subordinated loans provided to subsidiaries by the holding company.

3 Includes interest on subordinated loans and debt, holding company expenses and other cash flows.

4 Free cash flow to the holding company is defined as the change in cash capital position of the holding company over the period, excluding acquisitions, capital transactions with shareholders and debtholders and the inclusion of the Delta Lloyd cash capital position.

The cash capital position at the holding company increased to EUR 1,799 million at 30 June 2018 from EUR 1,434 million at 31 December 2017. The increase was driven by EUR 792 million of dividends from subsidiaries, partly offset by capital flows to shareholders of EUR 229 million representing the cash part of the 2017 final dividend of EUR 205 million and shares repurchased in the second quarter of 2018 for an amount of EUR 24 million. Other movements include holding company expenses, interest on loans and debt, and other holding company cash flows.

Financial leverage

	30 June 2018	31 December 2017
Shareholders' equity	23,568	22,718
Adjustment for revaluation reserves ¹	-7,221	-6,976
Minority interests	267	317
Capital base for financial leverage (a)²	16,614	16,060
- Undated subordinated notes ³	1,764	1,764
- Subordinated debt	2,457	2,468
Total subordinated debt	4,221	4,231
Debt securities issued (financial leverage)	1,989	1,988
Financial leverage (b)	6,209	6,219
Total debt	6,209	6,219
Financial leverage ratio (b/(a+b))	27.2%	27.9%
Fixed-cost coverage ratio ^{3,4}	14.1x	13.5x

1 Includes revaluations on debt securities, on the cash flow hedge reserve and on the reserves crediting to life policyholders.

2 As of 2Q17, the calculation methodology for the financial leverage ratio has been updated to better align with market practice. Goodwill is no longer deducted from the capital base for financial leverage and historical figures have been updated to reflect this change.

3 The undated subordinated notes classified as equity are considered financial leverage in the calculation of the financial leverage ratio. The related interest is included on an accrual basis in the calculation of the fixed-cost coverage ratio.

4 Measures the ability of earnings before interest and tax (EBIT) of ongoing business to cover funding costs on financial leverage; calculated on a last 12-months basis.

The financial leverage ratio of NN Group improved to 27.2% at 30 June 2018 compared with 27.9% at 31 December 2017. The improvement reflects an increase of the capital base for financial leverage driven by the first half-year 2018 net result of EUR 862 million, partly offset by capital flows to shareholders of EUR 229 million.

The fixed-cost coverage ratio increased to 14.1x at 30 June 2018 from 13.5x at 31 December 2017 (on a last 12-months basis).

Interim report Continued

Credit ratings

	Financial Strength Rating	NN Group N.V. Counterparty Credit Rating
Standard & Poor's	A	BBB+
	Stable	Stable
Fitch	A+	A
	Stable	Stable

On 6 June 2018, Standard & Poor's published a full analysis report confirming NN Group's 'A' financial strength rating and 'BBB+' credit rating with a stable outlook.

On 7 June 2018, Standard & Poor's affirmed NN Life Japan's 'A-' financial strength rating with a stable outlook, following the company's revision of past calculations of policy reserves and given its strategically important status to NN Group.

On 20 June 2018, Fitch affirmed NN Group's 'A+' financial strength rating and 'A' credit rating with a stable outlook.

Syndicated revolving credit facility

On 31 July 2018, NN Group (as borrower) entered into a EUR 1,750 million revolving credit facility with an international syndicate of banks. This facility replaces the two existing revolving credit facilities for a total amount of EUR 1,600 million. The credit facility has a maturity of 5 years and is undrawn at the date of this publication. Any amounts borrowed under the credit facility shall be applied towards general corporate purposes of NN Group.

Conformity statement

The Executive Board of NN Group N.V. is required to prepare the Interim report and Condensed consolidated interim accounts of NN Group N.V. in accordance with applicable Dutch law and International Financial Reporting Standards that are endorsed by the European Union (IFRS-EU).

Conformity statement pursuant to section 5:25d paragraph 2(c) of the Dutch Financial Supervision Act (Wet op het financieel toezicht)

The Executive Board of NN Group N.V. is responsible for maintaining proper accounting records, for safeguarding assets and for taking reasonable steps to prevent and detect fraud and other irregularities. It is responsible for selecting suitable accounting policies and applying them on a consistent basis, making judgements and estimates that are prudent and reasonable. It is also responsible for establishing and maintaining internal procedures which ensure that all major financial information is known to the Executive Board of NN Group N.V., so that the timeliness, completeness and correctness of the external financial reporting are assured. As required by section 5:25d paragraph 2(c) of the Dutch Financial Supervision Act, each of the signatories hereby confirms that to the best of his knowledge:

- The NN Group N.V. Condensed consolidated interim accounts for the period ended 30 June 2018 give a true and fair view of the assets, liabilities, financial position and profit or loss of NN Group N.V. and the enterprises included in the consolidation taken as a whole.
- The NN Group N.V. interim report for the period ended 30 June 2018 includes a fair review of the information required pursuant to article 5.25d, paragraph 8 and 9 of the Dutch Financial Supervision Act regarding NN Group N.V. and the enterprises included in the consolidation taken as a whole.

The Hague, 15 August 2018

Lard Friese
CEO, Chair of the Executive Board

Delfin Rueda
CFO, Vice-chair of the Executive Board

Condensed consolidated balance sheet

Amounts in millions of euros, unless stated otherwise

Condensed consolidated balance sheet

	notes	30 June 2018	31 December 2017
Assets			
Cash and cash equivalents		9,722	9,383
Financial assets at fair value through profit or loss:			
– investments for risk of policyholders		32,250	33,508
– non-trading derivatives		4,784	5,116
– designated as at fair value through profit or loss		786	934
Available-for-sale investments	2	105,605	104,982
Loans	3	56,635	56,043
Reinsurance contracts	11	1,017	880
Associates and joint ventures	4	4,921	3,450
Real estate investments	5	2,364	3,582
Property and equipment		148	150
Intangible assets	6	1,781	1,841
Deferred acquisition costs		1,822	1,691
Deferred tax assets		119	125
Other assets	7	5,841	5,377
Total assets		227,795	227,062
Equity			
Shareholders' equity (parent)		23,568	22,718
Minority interests		267	317
Undated subordinated notes		1,764	1,764
Total equity	8	25,599	24,799
Liabilities			
Subordinated debt	9	2,457	2,468
Debt securities issued	10	1,989	1,988
Other borrowed funds		5,567	6,044
Insurance and investment contracts	11	163,683	163,639
Customer deposits and other funds on deposit		14,942	14,434
Financial liabilities at fair value through profit or loss:			
– non-trading derivatives		2,428	2,305
Deferred tax liabilities		1,973	1,830
Other liabilities	12	9,157	9,555
Total liabilities		202,196	202,263
Total equity and liabilities		227,795	227,062

References relate to the notes starting with Note 1 'Accounting policies'. These form an integral part of the Condensed consolidated interim accounts.

Condensed consolidated profit and loss account

Condensed consolidated profit and loss account

notes	1 April to 30 June 2018	1 April to 30 June 2017	1 January to 30 June 2018	1 January to 30 June 2017
Gross premium income	2,951	2,946	7,444	6,344
Investment income 13	1,370	1,260	2,533	2,212
Result on disposals of group companies		-188	4	-179
– gross fee and commission income	260	304	559	539
– fee and commission expenses	-73	-96	-176	-185
Net fee and commission income	187	208	383	354
Valuation results on non-trading derivatives	-88	-303	97	-300
Foreign currency results and net trading income	33	34	-56	-31
Share of result from associates and joint ventures	83	104	193	181
Other income	22	10	31	26
Total income	4,558	4,071	10,629	8,607
– gross underwriting expenditure	3,883	3,312	8,027	7,021
– investment result for risk of policyholders	-675	-388	2	-652
– reinsurance recoveries	-42	-36	-86	-55
Underwriting expenditure 14	3,166	2,888	7,943	6,314
Intangible amortisation and other impairments	33	37	66	38
Staff expenses 15	372	414	761	711
Interest expenses	113	133	241	231
Other operating expenses	263	261	530	431
Total expenses	3,947	3,733	9,541	7,725
Result before tax	611	338	1,088	882
Taxation	144	92	222	200
Net result	467	246	866	682

Net result

	1 April to 30 June 2018	1 April to 30 June 2017	1 January to 30 June 2018	1 January to 30 June 2017
Net result attributable to:				
Shareholders of the parent	463	240	862	676
Minority interests	4	6	4	6
Net result	467	246	866	682

Earnings per ordinary share

amounts in euros	1 April to 30 June 2018	1 April to 30 June 2017	1 January to 30 June 2018	1 January to 30 June 2017
Earnings per ordinary share				
Basic earnings per ordinary share	1.34	0.69	2.49	2.00
Diluted earnings per ordinary share	1.34	0.69	2.49	2.00

Reference is made to Note 16 'Earnings per ordinary share' for the disclosure on the Earnings per ordinary share.

Condensed consolidated statement of comprehensive income

Condensed consolidated statement of comprehensive income

	1 April to 30 June 2018	1 April to 30 June 2017	1 January to 30 June 2018	1 January to 30 June 2017
Net result	467	246	866	682
– unrealised revaluations available-for-sale investments and other	78	47	307	-1,025
– realised gains/losses transferred to the profit and loss account	-275	-127	-312	-236
– changes in cash flow hedge reserve	168	-610	207	-943
– deferred interest credited to policyholders	79	177	25	690
– share of other comprehensive income of associates and joint ventures	-2	1	-2	1
– exchange rate differences	-6	-129	41	-69
Items that may be reclassified subsequently to the profit and loss account	42	-641	266	-1,582
– remeasurement of the net defined benefit asset/liability	-1	13	-1	11
– unrealised revaluations property in own use	5		5	
Items that will not be reclassified to the profit and loss account	4	13	4	11
Total other comprehensive income	46	-628	270	-1,571
Total comprehensive income	513	-382	1,136	-889
Comprehensive income attributable to:				
Shareholders of the parent	509	-388	1,134	-895
Minority interests	4	6	2	6
Total comprehensive income	513	-382	1,136	-889

Condensed consolidated statement of cash flows

Condensed consolidated statement of cash flows

	notes	1 January to 30 June 2018	1 January to 30 June 2017
Result before tax		1,088	882
Adjusted for:			
– depreciation and amortisation		100	57
– deferred acquisition costs and value of business acquired		-89	-87
– underwriting expenditure (change in insurance liabilities)		-89	-1,617
– other		-111	-65
Taxation paid		-169	-156
Changes in:			
– non-trading derivatives		420	-24
– other financial assets at fair value through profit or loss		-5	127
– loans		-1,073	-1,464
– other assets		-149	675
– customer deposits and other funds on deposit		483	546
– financial liabilities at fair value through profit or loss – non-trading derivatives		-54	-394
– other liabilities		-848	-502
Net cash flow from operating activities		-496	-2,022
Investments and advances:			
– group companies, net of cash acquired	20		907
– available-for-sale investments	2	-5,497	-5,233
– associates and joint ventures	4	-73	-245
– real estate investments		-52	-110
– property and equipment		-13	-11
– investments for risk of policyholders		-3,681	-3,991
– other investments		-21	-30
Disposals and redemptions:			
– group companies			26
– available-for-sale investments	2	5,557	4,884
– associates and joint ventures	4	54	97
– real estate investments		164	4
– property and equipment		1	
– investments for risk of policyholders		4,896	7,841
– other investments		218	397
Net cash flow from investing activities		1,553	4,536
Proceeds from subordinated debt			836
Repayments of subordinated debt			-1,300
Proceeds from debt securities issued			1,388
Proceeds from other borrowed funds		829	1,108
Repayments of other borrowed funds		-1,305	-2,685
Dividend paid	8	-257	-221
Purchase/sale of treasury shares	8	-18	-145
Coupon on undated subordinated notes		-33	-33
Net cash flow from financing activities		-784	-1,052
Net cash flow		273	1,462

Condensed consolidated statement of cash flows Continued

Included in Net cash flow from operating activities

	1 January to 30 June 2018	1 January to 30 June 2017
Interest received	2,125	1,832
Interest paid	-256	-240
Dividend received	319	248

Cash and cash equivalents

	1 January to 30 June 2018	1 January to 30 June 2017
Cash and cash equivalents at beginning of the period	9,383	8,634
Net cash flow	273	1,462
Effect of exchange rate changes on cash and cash equivalents	66	-70
Cash and cash equivalents at end of the period	9,722	10,026
Cash and cash equivalents comprises the following items:		
Cash and cash equivalents	9,722	10,022
Cash and cash equivalents classified as assets held for sale		4
Cash and cash equivalents at end of the period	9,722	10,026

Condensed consolidated statement of changes in equity

Condensed consolidated statement of changes in equity (2018)

	Share capital	Share premium	Reserves	Total Shareholders' equity (parent)	Minority interest	Undated subordinated notes	Total equity
Balance at 1 January 2018	41	12,572	10,105	22,718	317	1,764	24,799
Unrealised revaluations available-for-sale investments and other			309	309	-2		307
Realised gains/losses transferred to the profit and loss account			-312	-312			-312
Changes in cash flow hedge reserve			207	207			207
Deferred interest credited to policyholders			25	25			25
Share of other comprehensive income of associates and joint ventures			-2	-2			-2
Exchange rate differences			41	41			41
Remeasurement of the net defined benefit asset/liability			-1	-1			-1
Unrealised revaluations property in own use			5	5			5
Total amount recognised directly in equity (Other comprehensive income)	0	0	272	272	-2	0	270
Net result for the period			862	862	4		866
Total comprehensive income	0	0	1,134	1,134	2	0	1,136
Dividend			-205	-205	-52		-257
Purchase/sale of treasury shares			-18	-18			-18
Employee stock option and share plans			-3	-3			-3
Coupon on undated subordinated notes			-58	-58			-58
Balance at 30 June 2018	41	12,572	10,955	23,568	267	1,764	25,599

Condensed consolidated statement of changes in equity Continued

Condensed consolidated statement of changes in equity (2017)

	Share capital	Share premium	Reserves	Total Shareholders' equity (parent)	Minority interest	Undated subordinated notes	Total equity
Balance at 1 January 2017	40	12,153	10,502	22,695	12	986	23,693
Unrealised revaluations available-for-sale investments and other			-1,025	-1,025			-1,025
Realised gains/losses transferred to the profit and loss account			-236	-236			-236
Changes in cash flow hedge reserve			-943	-943			-943
Deferred interest credited to policyholders			690	690			690
Share of other comprehensive income of associates and joint ventures			1	1			1
Exchange rate differences			-69	-69			-69
Remeasurement of the net defined benefit asset/liability			11	11			11
Total amount recognised directly in equity (Other comprehensive income)	0	0	-1,571	-1,571	0	0	-1,571
Net result for the period			676	676	6		682
Total comprehensive income	0	0	-895	-895	6	0	-889
Changes in share capital	2	418		420			420
Dividend			-187	-187	-34		-221
Purchase/sale of treasury shares			-145	-145			-145
Employee stock option and share plans			-5	-5			-5
Coupon on undated subordinated notes			-59	-59			-59
Changes in composition of the group and other changes				0	329	778	1,107
Balance at 30 June 2017	42	12,571	9,211	21,824	313	1,764	23,901

Notes to the Condensed consolidated interim accounts

1 Accounting policies

In these Condensed consolidated interim accounts, 'NN Group' refers to NN Group N.V. (the parent company) and/or NN Group N.V. together with its consolidated subsidiaries (the consolidated group). These Condensed consolidated interim accounts should be read in conjunction with the 2017 NN Group Consolidated annual accounts.

These Condensed consolidated interim accounts of 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 2017 NN Group Consolidated annual accounts, except as set out below.

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 2017 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.

IFRS 15 'Revenue from Contracts with Customers' is effective as of 1 January 2018. IFRS 15 provides more specific guidance on recognising revenue. NN Group's main types of income (income from insurance contracts and income from financial instruments) are not in scope of IFRS 15. The implementation of IFRS 15 as at 1 January 2018 did not impact Shareholders' equity at that date. There was also no impact on the 2017 Net result.

Reference is made to the 2017 NN Group Consolidated annual accounts for more details on upcoming changes in accounting policies.

Acquisition of Delta Lloyd

Following the acquisition of Delta Lloyd N.V. ('Delta Lloyd') in the second quarter of 2017, Delta Lloyd was consolidated as of 1 April 2017. Therefore, comparative figures in the profit and loss account for the period 1 January to 30 June 2017 do not include those of Delta Lloyd for the period 1 January to 31 March 2017. Information on the acquisition of Delta Lloyd, the acquisition accounting under IFRS and the impact on the financial information is included in Note 44 'Companies and businesses acquired and divested' in the 2017 NN Group Consolidated annual accounts.

Changes in classification

Cash collateral

As of the first quarter of 2018 the various cash collateral amounts paid and received are all presented in Other assets and Other liabilities. The relevant comparative figures for previous periods have been amended. This change impacts the classification in the Condensed consolidated balance sheet, impacting the line items Loans, Other borrowed funds, Other assets and Other liabilities, with no net impact on shareholders' equity. There was no impact on the Condensed consolidated profit and loss account.

2 Available-for-sale investments

Available-for-sale investments

	30 June 2018	31 December 2017
Equity securities:		
– shares in NN Group managed investment funds	2,168	2,362
– shares in third-party managed investment funds	1,812	2,176
– other	3,612	3,442
Equity securities	7,592	7,980
Debt securities	98,013	97,002
Available-for-sale investments	105,605	104,982

Notes to the Condensed consolidated interim accounts Continued

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

Total exposure to debt securities

	30 June 2018	31 December 2017
Available-for-sale investments	98,013	97,002
Loans	1,387	1,380
Available-for-sale investments and loans	99,400	98,382
Investments for risk of policyholders	1,135	1,291
Designated as at fair value through profit or loss	10	284
Financial assets at fair value through profit or loss	1,145	1,575
Total exposure to debt securities	100,545	99,957

NN Group's total exposure to debt securities included in 'Available-for-sale investments' and 'Loans' is specified as follows by type of exposure:

Debt securities by type

	Available-for-sale investments		Loans		Total	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Government bonds	70,569	70,117			70,569	70,117
Covered bonds	336	349			336	349
Corporate bonds	15,552	15,200			15,552	15,200
Financial institution bonds	9,643	9,643			9,643	9,643
Bond portfolio (excluding ABS)	96,100	95,309	0	0	96,100	95,309
US RMBS	511	484			511	484
Non-US RMBS	1,223	973	1,101	1,056	2,324	2,029
CDO/CLO	14	11			14	11
Other ABS	165	225	286	324	451	549
ABS portfolio	1,913	1,693	1,387	1,380	3,300	3,073
Debt securities – Available-for-sale investments and Loans	98,013	97,002	1,387	1,380	99,400	98,382

3 Loans

Loans

	30 June 2018	31 December 2017
Loans secured by mortgages	44,433	43,844
Unsecured loans	9,943	9,679
Asset-backed securities	1,387	1,380
Deposits	382	702
Policy loans	593	563
Other	59	54
Loans – before loan loss provisions	56,797	56,222
Loan loss provisions	-162	-179
Loans	56,635	56,043

NN Group applies an interest rate pricing system for mortgage loans based on risk-based pricing with multiple risk premium categories, whereby the interest rate for a mortgage loan is set depending on the loan-to-valuation ('LTV') ratio. In the past, mortgage loans were eligible to move into another risk premium category only on the interest reset date. In the second quarter of 2018 a change to this pricing system was announced, under which a mortgage loan can move into another (lower) risk premium category during the fixed interest rate term if the LTV has decreased due to an increase of the value of the house and/or repayment of the mortgage loan. The amended pricing system allows for the adjustment of the mortgage interest rate by moving to a lower risk premium category automatically following (partial) repayment of the loan

Notes to the Condensed consolidated interim accounts Continued

principal, also taking into account (p)repayments that have already been made, and/or upon request following a proven revaluation of the relevant mortgaged asset. This amended pricing system represents a modification of the outstanding mortgage loans under IFRS and the related impact on the balance sheet value of outstanding mortgage loans of EUR 59 million was recognised as a charge in the profit and loss account in the second quarter of 2018. This did not have a material impact on the capital position of NN Group.

Changes in Loan loss provisions

	30 June 2018	31 December 2017
Loan loss provisions – opening balance	179	80
Write-offs	-1	-6
Increase in loan loss provisions	-9	100
Changes in the composition of the group and other changes	-7	5
Loan loss provisions – closing balance	162	179

4 Associates and joint ventures

Associates and joint ventures

	Interest held	Balance sheet value	Interest held	Balance sheet value
	30 June 2018		31 December 2017	
Vesteda Residential Fund FGR	28%	1,439		
CBRE Dutch Office Fund FGR	28%	435	28%	387
CBRE Retail Property Fund Iberica L.P.	33%	263	33%	249
CBRE Dutch Retail Fund FGR	19%	224	20%	225
CBRE UK Property Fund PAIF	10%	176	10%	172
CBRE Dutch Residential Fund I FGR	10%	170	10%	161
Parcom Investment Fund II B.V.	100%	157	100%	203
CBRE European Industrial Fund FGR	19%	133	19%	116
CBRE Property Fund Central and Eastern Europe FGR	50%	132	50%	129
Parcom Buy Out Fund IV B.V.	100%	115	100%	93
Allee center Kft	50%	119	50%	114
DPE Deutschland II B GmbH & Co KG	34%	109	34%	111
Fiumaranuova s.r.l.	50%	100	50%	101
Parcom Investment Fund III B.V.	100%	97	100%	136
Boccaccio - Closed-end Real Estate Mutual Investment Fund	50%	91	50%	90
Dutch Student and Young Professional Housing Fund FGR	49%	90	50%	85
the Fizz Student Housing Fund SCS	50%	78	50%	81
CBRE Dutch Retail Fund II FGR	10%	76	10%	77
Siresa House S.L.	49%	74	49%	74
Achmea Dutch Health Care Property Fund	24%	72	24%	58
Robeco Bedrijfsleningen FGR	24%	69	24%	62
Parquest Capital B FPCI	35%	57	35%	49
Delta Mainlog Holding GmbH & Co. KG	50%	54	50%	55
Le Havre LaFayette SNC	50%	50	50%	53
Other		541		569
Associates and joint ventures		4,921		3,450

The above associates and joint ventures mainly consist of non-listed investment entities investing in real estate and private equity.

In the second quarter of 2018, NN Group sold a Dutch residential real estate portfolio to Vesteda for a total consideration of EUR 1,427 million. The purchase price was paid approximately 75% in participation rights in the Vesteda fund and 25% in cash. As a result of the transaction, NN Group's existing participation in the Vesteda fund is now classified under Associates (previously classified under Available-for-sale investments). As a result, a capital gain of EUR 108 million was recognised in the profit and loss account in the second quarter of 2018. The transaction did not have a material impact on the capital position and operating result of NN Group.

Significant influence exists for certain associates in which the interest held is below 20%, based on the combination of NN Group's financial interest for own risk and other arrangements, such as participation in the relevant boards.

Notes to the Condensed consolidated interim accounts Continued

NN Group holds associates over which it cannot exercise control despite holding more than 50% of the share capital. For this reason, these are classified as associates and are not consolidated.

Other includes EUR 347 million (2017: EUR 374 million) of associates and joint ventures with an individual balance sheet value of less than EUR 50 million and EUR 194 million (2017: EUR 195 million) of receivables from associates and joint ventures.

The amounts presented in the table above could differ from the individual annual accounts of the associates due to the fact that the individual amounts have been brought in line with NN Group's accounting principles.

5 Real estate investments

The decrease in real estate investments of EUR 1,218 million was mainly due to the sale of the Dutch residential real estate portfolio to Vesteda. Reference is made to Note 4 'Associates and joint ventures'.

6 Intangible assets

Intangible assets

	30 June 2018	31 December 2017
Value of business acquired	2	2
Goodwill	1,387	1,392
Software	61	53
Other	331	394
Intangible assets	1,781	1,841

7 Other assets

Other assets

	30 June 2018	31 December 2017
Insurance and reinsurance receivables	1,133	1,126
Income tax receivable	269	202
Accrued interest and rents	1,314	1,785
Other accrued assets	278	428
Net defined benefit assets		29
Cash collateral amounts paid	1,563	1,199
Other	1,284	608
Other assets	5,841	5,377

8 Equity

Total equity

	30 June 2018	31 December 2017
Share capital	41	41
Share premium	12,572	12,572
Revaluation reserve	8,828	8,597
Currency translation reserve	-97	-139
Net defined benefit asset/liability remeasurement reserve	-107	-106
Other reserves	2,331	1,753
Shareholders' equity (parent)	23,568	22,718
Minority interests	267	317
Undated subordinated notes	1,764	1,764
Total equity	25,599	24,799

Notes to the Condensed consolidated interim accounts Continued

Changes in equity (2018)

30 June 2018	Share capital	Share premium	Reserves	Total shareholders' equity (parent)
Equity – opening balance	41	12,572	10,105	22,718
Net result for the period			862	862
Total amount recognised directly in equity (Other comprehensive income)			272	272
Dividend			-205	-205
Purchase/sale of treasury shares			-18	-18
Employee stock option and share plans			-3	-3
Coupon on undated subordinated notes			-58	-58
Equity – closing balance	41	12,572	10,955	23,568

Final dividend 2017

On 31 May 2018, the Annual General Meeting adopted the proposed final dividend of EUR 1.04 per ordinary share, or approximately EUR 348 million in total based on the current number of outstanding shares (net of treasury shares). Together with the 2017 interim dividend of EUR 0.62 per ordinary share paid in September 2017, NN Group's total dividend for 2017 was EUR 557 million, or EUR 1.66 per ordinary share, which is equivalent to a dividend pay-out ratio of around 45% of NN Group's full-year 2017 net operating result of the ongoing business. The final dividend was paid in cash, after deduction of withholding tax if applicable, or ordinary shares from the share premium reserve, at the election of the shareholder. To neutralise the dilutive effect of the stock dividend, NN Group will repurchase ordinary shares for an amount equivalent to the stock dividend. NN Group ordinary shares were quoted ex-dividend on 4 June 2018. The record date for the dividend was 5 June 2018. The election period ran from 4 June up to and including 18 June 2018. The stock fraction for the stock dividend was based on the volume weighted average price of NN Group ordinary shares on Euronext Amsterdam for the five trading days from 12 June through 18 June 2018. The dividend was paid on 25 June 2018. The cash dividend was distributed out of Other reserves.

Interim dividend 2018

NN Group will pay a 2018 interim dividend of EUR 0.66 per ordinary share, or approximately EUR 222 million in total. The 2018 interim dividend will be paid either in cash, after deduction of withholding tax if applicable, or ordinary shares at the election of the shareholder. To neutralise the dilutive effect of the interim stock dividend, NN Group will repurchase ordinary shares for an amount equivalent to the stock dividend.

Purchase/sale of treasury shares (2018)

During the first six months of 2018, 681,519 ordinary shares for a total amount of EUR 24 million were repurchased under the open market share buyback programme to neutralise the dilutive effect of stock dividends. Treasury shares for a total amount of EUR 6 million were delivered under Employee share plans. In April 2018, 6,176,884 NN Group treasury shares were cancelled. As at 30 June 2018, 871,482 treasury shares were held by NN Group.

Coupon on undated subordinated notes (2018)

The undated subordinated notes have optional annual coupon payments in June and July. The annual coupons resulted in a deduction of EUR 58 million (net of tax) from equity in the second quarter of 2018.

Changes in equity (2017)

31 December 2017	Share capital	Share premium	Reserves	Total shareholders' equity (parent)
Equity – opening balance	40	12,153	10,502	22,695
Net result for the period			2,110	2,110
Total amount recognised directly in equity (Other comprehensive income)			-1,791	-1,791
Changes in share capital	1	419		420
Dividend			-317	-317
Purchase/sale of treasury shares			-340	-340
Coupon on undated subordinated notes			-59	-59
Equity – closing balance	41	12,572	10,105	22,718

Purchase/sale of treasury shares (2017)

In 2017, 10,450,584 ordinary shares for a total amount of EUR 347 million were repurchased under the open market share buyback programmes to neutralise the dilutive effect of stock dividends. Treasury shares for an amount of EUR 7 million were delivered under Employee share plans. The repurchased shares are held by NN Group and the amount was deducted from Other reserves (Purchase/sale of treasury shares). In 2017, 14,348,967 NN Group treasury shares were cancelled. As at 31 December 2017, 6,609,781 treasury shares were held by NN Group.

Notes to the Condensed consolidated interim accounts Continued

Issue of ordinary shares (2017)

In April 2017, NN Group issued 8,749,237 ordinary shares for a total amount of EUR 255 million to Stichting Fonds NutsOhra in exchange for the preference shares A in Delta Lloyd held by Stichting Fonds NutsOhra and the perpetual subordinated loan provided to Delta Lloyd.

In June 2017 NN Group allotted 5,069,969 ordinary shares for a total amount of EUR 165 million in connection with the acquisition of Delta Lloyd.

Coupon on undated subordinated notes (2017)

The undated subordinated notes have optional annual coupon payments in June and July. The annual coupons resulted in a deduction of EUR 59 million (net of tax) from equity.

Interim dividend 2017

In September 2017, NN Group paid a 2017 interim dividend of EUR 0.62 per ordinary share, or approximately EUR 209 million in total. The 2017 interim dividend was paid either in cash, after deduction of withholding tax if applicable, or in ordinary shares at the election of the shareholder. As a result, an amount of EUR 130 million was distributed out of Other reserves (cash dividend) and 2,346,671 ordinary shares, with a par value of EUR 0.12 per share, were issued (EUR 78 million stock dividend). To neutralise the dilutive effect of the interim stock dividend, NN Group repurchased ordinary shares for an amount equivalent to the stock dividend.

Minority interest

Through the acquisition of Delta Lloyd, NN Group owns 51% of the shares of Delta Lloyd ABN AMRO Verzekeringen Holding B.V. (ABN AMRO Verzekeringen). ABN AMRO Verzekeringen's principal place of business is Zwolle, the Netherlands. ABN AMRO Verzekeringen is fully consolidated by NN Group, with a minority interest recognised of 49%.

At 30 June 2018, the minority interest relating to ABN AMRO Verzekeringen recognised in equity was EUR 253 million (at 31 December 2017: EUR 302 million).

Summarised information ABN AMRO Verzekeringen¹

	30 June 2018	31 December 2017 ²	30 June 2017 ²
Total assets	5,172	5,449	5,570
Total liabilities	4,655	4,832	4,956
Total income	291	422	146
Total expenses	283	383	134
Net result recognised in period	7	31	10
Dividends paid	107	108	71

¹ All on 100% basis.

² Profit and loss accounts and Dividends paid for the period from acquisition until the end of period.

9 Subordinated debt

Issuance (2017)

In January 2017, NN Group issued subordinated notes with a nominal value of EUR 850 million. The EUR 850 million subordinated notes have a maturity of 31 years and are first callable after 11 years and every quarter thereafter, subject to conditions to redemption. The coupon is fixed at 4.625% per annum until the first call date and will be floating thereafter. These notes qualify as Tier 2 regulatory capital. The proceeds were used to repay EUR 823 million of hybrid loans to ING Group in the first quarter of 2017.

Repayment of Subordinated debt (2017)

In January 2017, NN Group redeemed all three perpetual subordinated hybrid loans with variable coupons for a total amount of EUR 823 million.

In May 2017, NN Group redeemed the outstanding aggregate principal amount of EUR 476 million of the 6.375% Fixed to Floating Rate Subordinated Notes due 2027.

10 Debt securities issued

Issuance (2017)

During the first six months of 2017, NN Group issued senior unsecured notes with a nominal value of EUR 500 million, EUR 300 million and EUR 600 million.

The EUR 500 million senior unsecured notes have a fixed coupon of 0.875% per annum and a maturity of 6 years. The proceeds were used to repay EUR 476 million of Subordinated debt of NN Group on its first call date in May 2017.

Notes to the Condensed consolidated interim accounts Continued

The EUR 300 million senior unsecured notes have a fixed coupon of 0.25% per annum and a maturity of 3 years. The EUR 600 million senior unsecured notes have a fixed coupon of 1.625% per annum and a maturity of 10 years. The net proceeds of both senior unsecured notes were applied to repay the EUR 900 million bridge loan used to finance the acquisition of Delta Lloyd.

11 Insurance and investment contracts, reinsurance contracts

Insurance and investment contracts, reinsurance contracts

	Liabilities net of reinsurance		Reinsurance contracts		Insurance and investment contracts	
	31 December		31 December		31 December	
	30 June 2018	2017	30 June 2018	2017	30 June 2018	2017
Life insurance liabilities excluding liabilities for risk of policyholders	123,535	122,838	661	621	124,196	123,459
Liabilities for life insurance for risk of policyholders	30,949	32,308	44	45	30,993	32,353
Investment contract with discretionary participation features for risk of policyholders	234	218			234	218
Life insurance liabilities	154,718	155,364	705	666	155,423	156,030
Liabilities for unearned premiums and unexpired risks	799	473	47	10	846	483
Claims liabilities	5,201	5,085	265	204	5,466	5,289
Insurance liabilities and investment contracts with discretionary participation features	160,718	160,922	1,017	880	161,735	161,802
Investment contracts liabilities	1,948	1,837			1,948	1,837
Insurance and investment contracts, reinsurance contracts	162,666	162,759	1,017	880	163,683	163,639

The liabilities for insurance and investment contracts are 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.

12 Other liabilities

Other liabilities

	30 June 2018	31 December 2017
Income tax payable	18	30
Net defined benefit liability	134	165
Other post-employment benefits	23	23
Other staff-related liabilities	95	128
Other taxation and social security contributions	105	115
Deposits from reinsurers	381	385
Accrued interest	245	491
Costs payable	609	428
Amounts payable to policyholders	828	879
Provisions	303	319
Amounts to be settled	1,962	2,140
Cash collateral amounts received	3,323	3,696
Other	1,131	756
Other liabilities	9,157	9,555

Notes to the Condensed consolidated interim accounts Continued

13 Investment income

Investment income

	1 April to 30 June 2018	1 April to 30 June 2017	1 January to 30 June 2018	1 January to 30 June 2017
Interest income from investments in debt securities	457	471	910	871
Interest income from loans:				
– unsecured loans	64	63	108	98
– mortgage loans	265	338	588	605
– policy loans	2	2	5	4
– other	27	26	33	38
Interest income from investments in debt securities and loans	815	900	1,644	1,616
Realised gains/losses on disposal of available-for-sale debt securities	133	37	135	122
Impairments of available-for-sale debt securities		-3		-9
Reversal of impairments of available-for-sale debt securities		1		1
Realised gains/losses and impairments of available-for-sale debt securities	133	35	135	114
Realised gains/losses on disposal of available-for-sale equity securities	214	113	266	180
Impairments of available-for-sale equity securities	-15	-13	-34	-15
Realised gains/losses and impairments of available-for-sale equity securities	199	100	232	165
Interest income on non-trading derivatives	21	6	90	7
Increase in loan loss provisions	8	2	9	4
Income from real estate investments	39	38	78	64
Dividend income	119	125	166	163
Change in fair value of real estate investments	36	54	179	79
Investment income	1,370	1,260	2,533	2,212

Impairments on investments by segment

	1 April to 30 June 2018	1 April to 30 June 2017	1 January to 30 June 2018	1 January to 30 June 2017
Netherlands Life	-19	-14	-34	-21
Netherlands Non-life	2		2	-1
Insurance Europe	2	-1	-2	-1
Other		-1		-1
Impairments	-15	-16	-34	-24

14 Underwriting expenditure

Underwriting expenditure

	1 April to 30 June 2018	1 April to 30 June 2017	1 January to 30 June 2018	1 January to 30 June 2017
Gross underwriting expenditure:				
- before effect of investment result for risk of policyholder	3,208	2,924	8,029	6,369
- effect of investment result for risk of policyholder	675	388	-2	652
Gross underwriting expenditure	3,883	3,312	8,027	7,021
Investment result for risk of policyholders	-675	-388	2	-652
Reinsurance recoveries	-42	-36	-86	-55
Underwriting expenditure	3,166	2,888	7,943	6,314

The investment income and valuation results regarding investments for risk of policyholders is EUR -2 million (2017: EUR 652 million). This amount 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 April to 30 June 2018	1 April to 30 June 2017	1 January to 30 June 2018	1 January to 30 June 2017
Expenditure from life underwriting:				
- reinsurance and retrocession premiums	60	49	140	101
- gross benefits	3,357	3,997	6,744	6,597
- reinsurance recoveries	-30	-27	-61	-43
- change in life insurance liabilities	-975	-1,903	-1,103	-2,033
- costs of acquiring insurance business	109	119	240	264
- other underwriting expenditure	39	24	86	50
- profit sharing and rebates	11	6	25	19
Expenditure from life underwriting	2,571	2,265	6,071	4,955
Expenditure from non-life underwriting:				
- reinsurance and retrocession premiums	78	22	156	43
- gross claims	513	508	1,011	803
- reinsurance recoveries	-12	-9	-25	-12
- changes in the liabilities for unearned premiums	-92	-69	356	300
- changes in claims liabilities	-11	60	115	45
- costs of acquiring insurance business	128	113	266	177
- other underwriting expenditure	-5	-5	-10	-4
Expenditure from non-life underwriting	599	620	1,869	1,352
Expenditure from investment contracts:				
- other changes in investment contract liabilities	-4	3	3	7
Expenditure from investment contracts	-4	3	3	7
Underwriting expenditure	3,166	2,888	7,943	6,314

15 Staff expenses

Staff expenses

	1 April to 30 June 2018	1 April to 30 June 2017	1 January to 30 June 2018	1 January to 30 June 2017
Salaries	201	217	404	374
Variable salaries	15	24	39	46
Pension costs	31	40	61	67
Social security costs	34	34	66	58
Share-based compensation arrangements	6	6	8	8
External staff costs	72	67	145	117
Education	4	5	8	8
Other staff costs	9	21	30	33
Staff expenses	372	414	761	711

16 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 April to 30 June 2018	1 April to 30 June 2017	1 April to 30 June 2018	1 April to 30 June 2017	1 April to 30 June 2018	1 April to 30 June 2017
Net result	463	240				
Coupon on undated subordinated notes	-14	-14				
Basic earnings per ordinary share	449	226	334.6	328.8	1.34	0.69
Dilutive instruments:						
- Warrants			0.0	0.0		
- Share plans			0.6	0.7		
			0.6	0.7		
Diluted earnings per ordinary share	449	226	335.2	329.5	1.34	0.69

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 June 2018	1 January to 30 June 2017	1 January to 30 June 2018	1 January to 30 June 2017	1 January to 30 June 2018	1 January to 30 June 2017
Net result	862	676				
Coupon on undated subordinated notes	-29	-23				
Basic earnings per ordinary share	833	653	334.4	325.8	2.49	2.00
Dilutive instruments:						
- Warrants			0.0	0.0		
- Share plans			0.6	0.7		
			0.6	0.7		
Diluted earnings per ordinary share	833	653	335.0	326.5	2.49	2.00

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. The net increase in the number of shares resulting from exercising share plans and warrants is added to the average number of shares used for the calculation of diluted earnings per share.

17 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)

Notes to the Condensed consolidated interim accounts Continued

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.

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 unit-linked and separate account pension contracts (both 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. The net result on transactions between segments is eliminated in the net result of the relevant segment.

Notes to the Condensed consolidated interim accounts Continued

Segments (2018)

1 April to 30 June 2018	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Asset Management	Other	Japan Closed Block VA	Total
Investment margin	292		23	-2			-1	312
Fees and premium-based revenues	111		173	130	126		7	548
Technical margin	54		46	-1				99
Operating income non-modelled life business			1					1
Operating income	457	0	243	127	126	0	6	960
Administrative expenses	115		98	33	85		2	333
DAC amortisation and trail commissions	9		80	67			1	157
Expenses	125	0	177	100	85	0	3	490
Non-life operating result		40	-3					37
Operating result other						4		4
Operating result	332	40	63	27	41	4	3	511
Non-operating items:								
- gains/losses and impairments	317	7	18	-4		4		342
- revaluations	-7	-3	-2	-4		-3		-18
- market & other impacts	-74	-1	-6			-9	-14	-104
Special items before tax	-12	-29	-7		-11	-26		-86
Amortisation of acquisition intangibles						-33		-33
Result before tax	557	14	67	19	30	-64	-11	611
Taxation	129	4	16	3	7	-12	-3	144
Minority interests	2	1						4
Net result	426	9	50	16	23	-52	-8	463

Notes to the Condensed consolidated interim accounts Continued

Segments (2017)

1 April to 30 June 2017	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Asset Manage- ment	Other	Japan Closed Block VA	Total
Investment margin	254		24	-2			-1	275
Fees and premium-based revenues	127		179	135	135		11	587
Technical margin	55		47	1				103
Operating income non-modelled life business			1					1
Operating income	436	0	251	134	135	0	11	966
Administrative expenses	134		99	36	97		3	370
DAC amortisation and trail commissions	11		78	61			1	152
Expenses	146	0	178	97	97	0	4	522
Non-life operating result		-27						-27
Operating result other						-7		-7
Operating result	290	-27	73	37	37	-7	6	410
Non-operating items:								
- gains/losses and impairments	76	2	22			32		132
- revaluations	19	10	8	-4				34
- market & other impacts	46						5	51
Special items before tax	-12	-2	-8		-5	-41		-68
Amortisation of acquisition intangibles						-33		-33
Result on divestments						-188		-188
Result before tax	419	-17	95	34	32	-237	12	338
Taxation	70	-5	15	10	10	-11	3	92
Minority interests	3	2						6
Net result	346	-14	80	24	23	-226	9	240

Notes to the Condensed consolidated interim accounts Continued

Segments (2018)

1 January to 30 June 2018	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Asset Management	Other	Japan Closed Block VA	Total
Investment margin	473		46	-5			-1	513
Fees and premium-based revenues	236		354	318	256		13	1,177
Technical margin	100		101	-2				199
Operating income non-modelled life business			1					1
Operating income	809	0	503	311	256	0	12	1,891
Administrative expenses	244		198	65	174		4	685
DAC amortisation and trail commissions	21		167	152			2	342
Expenses	265	0	365	217	174	0	6	1,027
Non-life operating result		8	-4					4
Operating result other						-41		-41
Operating result	544	8	134	93	82	-41	6	827
Non-operating items:								
- gains/losses and impairments	346	11	11	-3		6		370
- revaluations	210	2	5	-10		-3		204
- market & other impacts	-68	-1	-5			-9	-2	-86
Special items before tax	-27	-52	-13	-1	-16	-57		-165
Amortisation of acquisition intangibles						-66		-66
Result on divestments						4		4
Result before tax	1,005	-32	132	79	66	-166	4	1,088
Taxation	207	-10	29	19	15	-39	1	222
Minority interests	4							4
Net result	794	-21	103	60	51	-127	3	862

Special items in 2018 relate to restructuring expenses incurred in respect of the cost reduction target for Netherlands Life, Netherlands Non-life, Belgium, Asset Management, the banking business and Corporate/ Holding entities. Special items in 2018 also include a charge at Netherlands Non-life related to the agreement with Van Ameyde to insource claims handling activities.

Notes to the Condensed consolidated interim accounts Continued

Segments (2017)

1 January to 30 June 2017	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Asset Management	Other	Japan Closed Block VA	Total
Investment margin	452		38	-4			-1	485
Fees and premium-based revenues	216		322	328	253		23	1,142
Technical margin	98		93	14				205
Operating income non-modelled life business			2					2
Operating income	766	0	456	339	252	0	22	1,834
Administrative expenses	233		181	68	182		6	670
DAC amortisation and trail commissions	22		159	148			3	332
Expenses	255	0	340	216	182	0	9	1,002
Non-life operating result		4						4
Operating result other						-12		-12
Operating result	511	4	115	123	70	-12	13	824
Non-operating items:								
- gains/losses and impairments	191	4	41	8		33		276
- revaluations	76	11	10	-12				86
- market & other impacts	17						-22	-5
Special items before tax	-22	-2	-8		-5	-49		-87
Amortisation of acquisition intangibles						-33		-33
Result on divestments						-179		-179
Result before tax	772	18	158	118	65	-240	-8	882
Taxation	139	2	25	33	17	-16	-2	200
Minority interests	4	2						6
Net result	629	13	133	85	48	-225	-7	676

Special items in 2017 relate to restructuring expenses related to the target to reduce the administrative expense base of Netherlands Life, Netherlands Non-life and corporate/holding entities and costs incurred related to the acquisition of Delta Lloyd, among other items.

18 Taxation

Taxation on components of other comprehensive income

	1 April to 30 June 2018	1 April to 30 June 2017	1 January to 30 June 2018	1 January to 30 June 2017
Unrealised revaluations property in own use	-2		-2	
Unrealised revaluations available-for-sale investments and other	31	83	-34	518
Realised gains/losses transferred to the profit and loss account	57	8	55	43
Changes in cash flow hedge reserve	-55	204	-67	315
Deferred interest credited to policyholders	-19	-61	-2	-243
Remeasurement of the net defined benefit asset/liability		-5		-4
Income tax	12	229	-50	629

Notes to the Condensed consolidated interim accounts Continued

19 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 June 2018	31 December 2017	30 June 2018	31 December 2017
Financial assets				
Cash and cash equivalents	9,722	9,383	9,722	9,383
Financial assets at fair value through profit or loss:				
– investments for risk of policyholders	32,250	33,508	32,250	33,508
– non-trading derivatives	4,784	5,116	4,784	5,116
– designated as at fair value through profit or loss	786	934	786	934
Available-for-sale investments	105,605	104,982	105,605	104,982
Loans	59,112	58,980	56,635	56,043
Financial assets	212,259	212,903	209,782	209,966
Financial liabilities				
Subordinated debt	2,611	2,870	2,457	2,468
Debt securities issued	2,040	2,047	1,989	1,988
Other borrowed funds	5,662	6,149	5,567	6,044
Investment contracts with discretionary participation features for risk of policyholders	234	218	234	218
Investment contracts for risk of company	1,117	1,136	1,099	1,088
Investment contracts for risk of policyholders	849	749	849	749
Customer deposits and other funds on deposit	15,364	14,910	14,942	14,434
Financial liabilities at fair value through profit or loss:				
– non-trading derivatives	2,428	2,305	2,428	2,305
Financial liabilities	30,305	30,384	29,565	29,294

For the 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 34 'Fair value of financial assets and liabilities' of the 2017 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 at fair value (2018)

	Level 1	Level 2	Level 3	Total
Financial assets				
Investments for risk of policyholders	25,870	5,587	793	32,250
Non-trading derivatives	42	4,617	125	4,784
Financial assets designated as at fair value through profit or loss	677	109		786
Available-for-sale investments	70,869	33,738	998	105,605
Financial assets	97,458	44,051	1,916	143,425
Financial liabilities				
Investment contracts with discretionary participation features for risk of policyholders		234		234
Investment contracts (for contracts at fair value)	849			849
Non-trading derivatives	56	2,247	125	2,428
Financial liabilities	905	2,481	125	3,511

Methods applied in determining the fair value of financial assets and liabilities at fair value (2017)

	Level 1	Level 2	Level 3	Total
Financial assets				
Investments for risk of policyholders	26,845	5,860	803	33,508
Non-trading derivatives	21	4,947	148	5,116
Financial assets designated as at fair value through profit or loss	611	323		934
Available-for-sale investments	73,457	30,177	1,348	104,982
Financial assets	100,934	41,307	2,299	144,540
Financial liabilities				
Investment contracts with discretionary participation features for risk of policyholders		218		218
Investment contracts (for contracts at fair value)	749			749
Non-trading derivatives	72	2,083	150	2,305
Financial liabilities	821	2,301	150	3,272

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 (2018)

	Investments for risk of policyholders	Non-trading derivatives	Available-for-sale investments	Total
30 June 2018				
Level 3 Financial assets – opening balance	803	148	1,348	2,299
Amounts recognised in the profit and loss account	-4		92	88
Revaluations recognised in other comprehensive income (equity)			-112	-112
Purchase			53	53
Sale	-6		-20	-26
Maturity/settlement			-93	-93
Other transfers and reclassifications		-23	-269	-292
Transfers out of Level 3			-3	-3
Exchange rate differences			2	2
Level 3 Financial assets – closing balance	793	125	998	1,916

Changes in Level 3 Financial assets (2017)

	Investments for risk of policyholders	Non-trading derivatives	Available-for-sale investments	Total
31 December 2017				
Level 3 Financial assets – opening balance	823	219	1,207	2,249
Amounts recognised in the profit and loss account	-25	-56	90	9
Revaluations recognised in other comprehensive income (equity)		1	120	121
Purchase	6	3	162	171
Sale	-1	-8	-114	-123
Maturity/settlement			-195	-195
Other transfers and reclassifications			-164	-164
Transfers out of Level 3		-18	-18	-36
Changes in the composition of the group		7	270	277
Exchange rate differences			-10	-10
Level 3 Financial assets – closing balance	803	148	1,348	2,299

Transfers out of Level 3 and reclassification

Reclassification mainly relate to the transfer of certain investments in real estate funds to associates and joint ventures due to an increase in level of influence. For more information, reference is made to Note 6 'Associates and joint ventures' of the 2017 NN Group Consolidated annual accounts.

Changes in Level 3 Financial liabilities (2018)

	Non-trading derivatives
30 June 2018	
Level 3 Financial liabilities – opening balance	150
Sale	-1
Other transfers and reclassifications	-24
Level 3 Financial liabilities – closing balance	125

Changes in Level 3 Financial liabilities (2017)

	Non-trading derivatives
31 December 2017	
Level 3 Financial liabilities – opening balance	218
Amounts recognised in the profit and loss account	-54
Transfers into Level 3	4
Transfers out of Level 3	-18
Level 3 Financial liabilities – closing balance	150

Notes to the Condensed consolidated interim accounts Continued

Level 3 – Amounts recognised in the profit and loss account during the year (2018)

30 June 2018	Held at balance sheet date	Derecognised during the period	Total
Financial assets			
Investments for risk of policyholders	-4		-4
Available-for-sale investments	-2	94	92
Financial assets	-6	94	88
Financial liabilities			
Financial liabilities	0	0	0

Level 3 – Amounts recognised in the profit and loss account during the year (2017)

31 December 2017	Held at balance sheet date	Derecognised during the period	Total
Financial assets			
Investments for risk of policyholders	-25		-25
Non-trading derivatives	-56		-56
Available-for-sale investments	-9	99	90
Financial assets	-90	99	9
Financial liabilities			
Non-trading derivatives	-54		-54
Financial liabilities	-54	0	-54

20 Companies and businesses acquired and divested

Acquisitions (2017)

Delta Lloyd

In the second quarter of 2017, NN Group acquired all issued and outstanding ordinary shares in the capital of Delta Lloyd N.V. (Delta Lloyd) for a total consideration of EUR 2,463 million. Reference is made to the 2017 NN Group Consolidated annual accounts for an overview of the transaction, a description of Delta Lloyd, the rationale for the transaction, the accounting at the acquisition date and certain additional disclosures on the acquisition.

Divestments (2017)

NN Life Luxembourg

In April 2017, NN Group announced that it had reached agreement with the Global Bankers Insurance Group on the sale of NN Life Luxembourg to an affiliate of Global Bankers Insurance Group. The sale will not impact NN Group's asset management business in Luxembourg. The transaction, which was completed in October 2017, did not have a material impact on the capital position and operating result of NN Group.

21 Other events

On 15 August 2018 NN Group reached an agreement to acquire Aegon's Life Insurance business in the Czech Republic and Aegon's Life Insurance and Pension businesses in Slovakia for a total consideration of EUR 155 million. The transaction will be funded from existing cash resources and is not expected to have a material impact on the operating result and Solvency II ratio of NN Group. The transaction is subject to regulatory approvals and is expected to close by the end of the first quarter of 2019.

Unit-linked products in the Netherlands

Reference is made to Note 43 'Legal proceedings' in the 2017 NN Group Consolidated annual accounts for a description of legal proceedings with respect to unit-linked products in the Netherlands. There have been no developments that would change the statements and conclusions in the 2017 NN Group Consolidated annual accounts.

Although the financial consequences could be substantial for the Dutch insurance business of NN Group and, as a result, may have a material adverse effect on NN Group's business, reputation, revenues, results of operations, solvency, financial condition and prospects, it is not possible to reliably estimate or quantify NN Group's exposures at this time.

Notes to the Condensed consolidated interim accounts Continued

22 Capital management

Solvency II

	30 June 2018	31 December 2017
Basic Own Funds	18,305	17,121
Non-available Own Funds	1,412	1,339
Non-eligible Own Funds	74	370
Eligible Own Funds to cover Solvency Capital Requirements (a)	16,819	15,412
– of which Tier 1 unrestricted	10,375	8,935
– of which Tier 1 restricted	1,894	1,885
– of which Tier 2	2,404	2,420
– of which Tier 3	1,042	1,085
– of which non-Solvency II regulated entities	1,104	1,087
Solvency Capital Requirements (b)	7,429	7,731
– of which Solvency Capital Requirements calculated on the basis of consolidated data	6,946	7,231
– of which the capital requirements for investment firms, pension funds and credit institutions	217	249
– of which the capital requirements for undertakings included under the D&A method	266	251
NN Group Solvency II ratio (a/b)¹	226%	199%

¹ The solvency ratios are not final until filed with the regulators. The Solvency II ratio for NN Group is based on the Partial Internal Model.

The NN Group Solvency II ratio increased to 226% at 30 June 2018 from 199% at 31 December 2017. This increase was mainly driven by a combination of operating capital generation and positive market impacts, partly offset by the impact of a reduction in the Ultimate Forward Rate (UFR) from 4.2% to 4.05% and the 2018 interim dividend. Market impacts were positive, reflecting the favourable impact from movements in credits spreads and positive real estate and equity revaluations.

Authorisation of the Condensed consolidated interim accounts

The Hague, 15 August 2018

The Supervisory Board

J.H. (Jan) Holsboer, chair
D.H. (Dick) Harryvan, vice-chair
H.J.G. (Heijo) Hauser
R.W. (Robert) Jenkins
R.A. (Robert) Ruijter
J.W. (Hans) Schoen
C.C.F.T. (Clara) Streit
H.M. (Hélène) Vletter-van Dort

The Executive Board

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

Review report

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

Introduction

We have reviewed the accompanying condensed consolidated interim accounts as at 30 June 2018 of NN Group N.V. (the Company), The Hague, as included on page 19 to 46 of this report. These condensed consolidated interim accounts comprise the condensed consolidated balance sheet as at 30 June 2018, the condensed consolidated profit and loss account and the condensed consolidated statement of comprehensive income for the three and six-month periods ended 30 June 2018, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the six-month period ended 30 June 2018, and the notes. 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 30 June 2018 are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Amstelveen, 15 August 2018

KPMG Accountants N.V.

P.A.M. de Wit RA

Contact us

NN Group N.V.
Schenkade 65
2595 AS Den Haag
The Netherlands
P.O. Box 90504, 2509 LM Den Haag
The Netherlands
www.nn-group.com

Commercial register of Amsterdam, no. 52387534

Disclaimer

In preparing the financial information in this document, the same accounting principles are applied as in the 2017 NN Group Consolidated annual accounts, except as indicated in Note 1 'Accounting policies' of the 30 June 2018 Condensed consolidated interim financial information.

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 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) 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 and the interpretation and application thereof, (13) changes in the policies and actions 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 NN Group 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, (18) catastrophes and terrorist-related events, (19) adverse developments in legal and other proceedings and (20) the other risks and uncertainties 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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