

NN Group reports 1Q17 results

Strong operating performance; Solvency II ratio at 238%

- Operating result ongoing business of EUR 406 million, up 33.3% from 1Q16, driven by higher results in all segments
- Net result of EUR 435 million, up 61.0% from 1Q16, reflecting the higher operating result, higher non-operating items and a lower hedge-related loss for Japan Closed Block VA
- Further cost savings in the Netherlands bringing the expense base down to EUR 748 million
- Strong commercial momentum: APE of EUR 620 million, up 28.3% from 1Q16 at constant currencies, driven by higher sales at Netherlands Life, Insurance Europe and Japan Life; net third party inflows of EUR 2.1 billion at Asset Management; EUR 1.1 billion of mortgage production at NN Bank
- Solvency II ratio of NN Group decreased to 238% from 241% at the end of 4Q16 primarily due to market impacts
- Holding company cash capital higher at EUR 2,977 million, reflecting the EUR 500 million senior notes issued in January and dividends received from subsidiaries, partly offset by the acquisition of shares in Delta Lloyd in February 2017

Statement of Lard Friese, CEO

'NN Group showed a strong performance in the first quarter of 2017, with all segments contributing to the increase in the Group's operating result compared with the first quarter of 2016. We continue to improve efficiency, with cost savings in the Netherlands bringing the expense base down further. And our balance sheet remains robust, with NN Group's Solvency II ratio at 238%.

Every day, we strive to deliver excellent service to our customers, innovate our products, and improve our business mix, which is reflected in increased sales this quarter. Insurance Europe presented higher life sales of 29.4% across the region, and in Japan the COLI critical illness product, introduced in July 2016, contributed to a sales increase of 31.3%.

It was a memorable start of 2017. Over the past months, we took a next step to strategically prepare our company for the future, and strengthen our leading position in the Netherlands and Belgium. In April, the acquisition of 93.3% of Delta Lloyd was complete. We announced the senior management appointments for the combined company and launched the integration process. Preparations for the legal merger continue. We believe the combination of Delta Lloyd with the Dutch and Belgian activities of NN will benefit customers, by expanding our product offering and further broadening our distribution network. It will also generate a materially higher free cash flow available to shareholders over time through the benefits of scale.

Our policy has always been to return excess cash to shareholders unless we can use it for value creating opportunities. The acquisition of Delta Lloyd was an opportunity to deploy excess cash at an expected attractive return on investment. Our approach of disciplined capital management has not changed and we will continue to prioritise a strong balance sheet and maintaining a robust capital position. The pro-forma Solvency II ratio of NN Group including Delta Lloyd is estimated at approximately 180% at the end of the first quarter. In August we will publish the full consolidated results for the combined group for the second quarter of the year. And we will provide a more detailed strategic update at our Capital Markets Day on 30 November 2017.

Going forward, our focus will be on ensuring a smooth transition process and on driving further improvement in customer experience through innovation and our client centric approach: helping our customers to secure their financial future.'

NN Group key figures

In EUR million	1Q17	1Q16	Change
Operating result ongoing business	406	305	33.3%
Net result	435	270	61.0%
Net operating ROE ⁽⁷⁾⁽²¹⁾	9.9%	8.6%	
	1Q17	4Q16	Change
Solvency II ratio ¹⁾	238%	241%	

Note: All footnotes are included on page 26

Quarterly Business Update

NN Group's robust financial position reflects the resilience of its businesses in an environment which continues to be characterised by low interest rates and market volatility. Our financial position provides a solid foundation for executing the company's strategy, which is to deliver an excellent customer experience based on transparent products and services and long-term relationships. NN Group aims to help people secure their financial futures, and is committed to delivering products and services that are easy to understand and meet customers' lifetime needs.

Transparent products and services

NN Life's pension business reached a milestone with the PPI (Premiepensioeninstelling) accumulating EUR 1 billion of assets under management. This is the result of a partnership between NN Investment Partners, AZL, and NN Life. NN Life's competitive position in the pension market remains strong. The first months of 2017 showed a steady inflow of new contracts, specifically in the area of Defined Contribution. In addition, NN Life became the pension provider for Nutreco's employees in the Netherlands. Furthermore, on 1 September 2016, the Enhanced Premium Scheme Act (Wet verbeterde premieregeling) came into force in the Netherlands, which makes it possible to invest accumulated pension capital after the retirement date. NN Life launched a new product in the first quarter of 2017, a variable annuity variant of its pension pay-out product 'Active Pension (DIP)', in order to capture the opportunities created by this new legislation.

Movir, which offers individual disability insurance to self-employed workers in the Netherlands, was awarded the title of 'Best income insurer' of 2016 by Adfiz, the association of independent financial advisors, for the sixth time in a row. Movir scored higher than other insurers on all aspects, including customer focus, timely claims handling and expertise of employees. Winning the award this year was particularly encouraging, as Movir has been responsible for the management and administration of the individual disability (AOV) portfolio of Nationale-Nederlanden since the beginning of 2017, which required extra effort by all involved.

Capturing growth

The fundamental need for people to protect themselves against uncertainties will continue to drive growth in the insurance industry over the long term. NN Group continually adapts its businesses to capture this growth potential. In the first quarter of 2017, the sale of protection products grew 49% across Europe compared with the same quarter in 2016, with Poland and Romania as the largest contributors.

In the Netherlands, NN Bank grew its mortgage portfolio by EUR 0.3 billion to EUR 13.1 billion in the first quarter of 2017. During that same period, its customer savings grew by EUR 0.4 billion to EUR 10.6 billion. NN Bank introduced Brickler, an application which provides better insights in the different steps a customer has to take when buying a house. This app offers customers the possibility to search for new homes, calculate the spending limit, and compare different mortgage suppliers.

Multi-access distribution

NN Group serves its customers through multiple channels, comprising tied agents, bancassurance partners, brokers and direct channels. It is our aim to achieve profitable growth through multi-access distribution. In line with strategy, the international businesses made further headway in the first quarter to increase partnerships in the area of bancassurance. Nationale-Nederlanden in Poland has built a modern and innovative IT platform for banks, which differentiates by allowing products to be introduced within weeks. It also offers full flexibility in

tailoring stand-alone protection products, which can be adapted to the specific needs of the banks' customers. As part of their bancassurance strategy, Nationale-Nederlanden Spain launched a protection product in cooperation with ING Direct Spain. The product, which is offered to individuals when digitally contracting a consumer loan at ING, provides payment protection in cases of unemployment, permanent disability or death. From a customer perspective, the newly designed insurance will have a differentiated positioning in the Spanish market by offering full protection to consumers, automated underwriting and easy access as the process is fully digitalised.

In the first quarter 2017, bancassurance COLI sales in Japan increased by 48%, at constant currencies, compared with the same quarter of 2016. This was driven by the higher bank activation and the expansion of the bank distribution network, bringing the total to 63 banking partners at the end of the first quarter of 2017. On 3 April 2017, Sumitomo Life Insurance Company started offering NN Life Japan's corporate-owned life insurance (COLI) products through Sumitomo Life's sales network of approximately 30,000 agents.

The creation of dedicated teams and sharing of best practices between NN Hellas and Piraeus Bank have intensified their collaboration. This has led to significant sales increases through the bancassurance channel in Greece.

Effective and efficient operations

NN Group aims to make its processes as efficient and effective as possible. The businesses in the Netherlands continue to implement efficiency initiatives, for example the implementation of Robotic Process Automation (RPA) in our central Finance departments, as well as in our Non-life business. Building on this experience, further roll-out in the Life business will take place to replace repetitive, labour intensive, administrative processes. NN Life Japan also implemented RPA for handling part of its processes in the Customer Service Department, resulting in operation optimisation and simplification, operational time reductions, and error reduction, along with contributing to creating a paperless environment.

Innovation

Following the successful innovation labs in the Netherlands, NN opened two international innovation labs 'Sparklab', the first one in Hungary and the second one in Turkey. At least six other labs will be launched shortly. In the Netherlands, 'Sparklab' started a test with 'Gappie', an app which enables customers to buy on-demand car insurance when borrowing a car from family or friends.

NN Group joined the National Blockchain Coalition (Nationale Blockchain Coalitie) in the Netherlands as a founding partner. The coalition brings together over twenty companies and organisations from the financial, logistics, and energy sectors, as well as government and knowledge institutions. The aim of the coalition is to make the Netherlands an international frontrunner in the application of blockchain technology.

In addition to continuously innovating its own product portfolio, NN Group also invests in fintech partnerships with third parties, for example the fast-growing Berlin-based fintech company OptioPay GmbH. OptioPay has developed an innovative business model that allows consumers to convert incoming payments— from insurers, energy companies and even employers—into higher value products, services or vouchers with a broad range of merchants and service providers. NN is keen to support OptioPay as it expands in its home market and in new geographies.

Other events

In April 2017, NN Group and Global Sports Communication presented the NN Running Team, the first professional running team in the world, adding a new dimension to running. The NN Running Team brings together the world's top long-distance runners in a partnership with the world's best athletes, recently in Hamburg and London.

NN Investment Partners (NN IP) expanded its Responsible Investment team, adding significant weight to the team's primary goal to drive the further development of responsible investing at NN IP, and to support all investment teams in their ESG integration strategy. NN IP also developed a tagging approach that allows for assessing the Sustainable Development Goals (SDG) exposure of companies. This approach offers investors the opportunity to choose stronger exposure to SDGs and easier opportunities for impact investing along with company engagement on impact.

Consolidated results

Consolidated profit and loss account and key figures NN Group

In EUR million	1Q17	1Q16	Change
Analysis of results			
Netherlands Life	220	177	24.7%
Netherlands Non-life	31	9	229.6%
Insurance Europe	42	34	23.5%
Japan Life	85	67	27.1%
Asset Management	33	29	15.0%
Other	-5	-11	
Operating result ongoing business	406	305	33.3%
Non-operating items ongoing business	168	122	38.0%
of which gains/losses and impairments	145	29	401.7%
of which revaluations	52	62	-16.8%
of which market & other impacts	-29	31	-193.2%
Japan Closed Block VA	-20	-69	
Special items before tax	-19	-26	
Result on divestments	9	0	
Result before tax	544	331	64.3%
Taxation	109	61	79.5%
Minority interests	0	0	-44.3%
Net result	435	270	61.0%
Basic earnings per ordinary share in EUR ²⁾	1.32	0.81	
Key figures ongoing business			
Gross premium income	3,397	3,279	3.6%
New sales life insurance (APE)	620	478	29.7%
Total administrative expenses	427	424	0.6%
Cost/income ratio (Administrative expenses/Operating income)	30.9%	32.9%	
Combined ratio (Netherlands Non-life) ³⁾	99.7%	104.3%	
Investment margin/Life general account invested assets (bps) ⁵⁾	92	109	
Net operating result ⁶⁾	299	242	23.5%
Net operating ROE ⁷⁾²¹⁾	9.9%	8.6%	
Key figures ongoing business			
Japan Closed Block VA			
Account value	7,926	8,201	-3.3%
Number of policies	145,457	154,315	-5.7%
Total NN Group			
Solvency II ratio ¹⁾	238%	241%	-0.6%
Total assets ⁴⁾²¹⁾	167	169	-0.6%
Shareholders' equity ²¹⁾	22,108	22,695	-2.6%
Employees (internal FTEs, end of period)	11,327	11,464	-1.2%

Note: All footnotes are included on page 26

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, 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 and the undated subordinated notes classified as equity. 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 2016 Consolidated Annual Accounts.

- NN Group's operating result of the ongoing business increased to EUR 406 million from EUR 305 million in the first quarter of 2016, driven by higher results at all segments
- The result before tax increased to EUR 544 million from EUR 331 million in the first quarter of 2016, reflecting the higher operating result, higher non-operating items and a lower hedge-related loss for Japan Closed Block VA
- Cost savings in the Netherlands of EUR 14 million in the first quarter of 2017 bringing the expense base down to EUR 748 million
- New sales (APE) were EUR 620 million, up 28.3% from the first quarter of 2016 on a constant currency basis, driven by higher sales at Netherlands Life, Insurance Europe and Japan Life

Operating result

The operating result of the ongoing business was EUR 406 million, up 33.3% from the first quarter of 2016, driven by higher results at all segments.

The administrative expenses in Netherlands Life, Netherlands Non-life and corporate/holding entities decreased by EUR 14 million in the first quarter of 2017, in line with the target to achieve an administrative expense base of EUR 685 million by the end of 2018. At the end of the first quarter of 2017, the administrative expense base amounted to EUR 748 million versus EUR 818 million at the end of the third quarter of 2015, both on a last 12-months basis.

The operating result of Netherlands Life increased to EUR 220 million from EUR 177 million in the first quarter of 2016 mainly driven by a higher technical margin and lower expenses, partly offset by lower fees and premium-based revenues. The current quarter includes EUR 41 million private equity dividends whereas the first quarter 2016 was supported by EUR 59 million of dividends.

The operating result of Netherlands Non-life improved to EUR 31 million from EUR 9 million in the first quarter of 2016. The combined ratio improved to 99.7% from 104.3% in the first quarter of 2016 driven by a favourable underwriting performance in Disability & Accident.

The operating result of Insurance Europe increased to EUR 42 million from EUR 34 million in the first quarter of 2016 reflecting higher fees and premium-based revenues, while the first quarter of 2016 was impacted by a EUR 4 million provision related to the terrorist attacks in Belgium in March 2016.

The operating result of Japan Life was EUR 85 million, up 20.4% from the first quarter of 2016, excluding currency effects, reflecting higher fees and premium-based revenues and a higher technical margin, partially offset by higher expenses.

The operating result of Asset Management increased to EUR 33 million from EUR 29 million in the first quarter of 2016, driven by an increase in fees partly offset by higher expenses.

The operating result of the segment Other improved to EUR –5 million from EUR –11 million in the first quarter of 2016, supported by a higher NN Bank result partly offset by a lower holding result.

Result before tax

The result before tax for the first quarter of 2017 increased to EUR 544 million from EUR 331 million in the first quarter of 2016, reflecting the higher operating result, higher non-operating items and a lower hedge-related loss for Japan Closed Block VA.

Gains/losses and impairments were EUR 145 million compared with EUR 29 million in the first quarter of 2016. The current quarter reflects EUR 80 million gains on the sale of government bonds and EUR 67 million gains on the sale of equities, partly offset by EUR 9 million impairments on debt and public equity.

Revaluations amounted to EUR 52 million versus EUR 62 million in the first quarter of 2016. The current quarter reflects positive revaluations on real estate, partly offset by negative revaluations on private equity.

Market and other impacts amounted to EUR –29 million compared with EUR 31 million in the first quarter of 2016. The result in the current quarter reflects the movement in the provision for guarantees on separate account pension contracts (net of hedging) at Netherlands Life.

The result before tax of Japan Closed Block VA was EUR –20 million compared with EUR –69 million in the first quarter of 2016, reflecting a lower hedge-related loss. The first quarter of 2016 included a technical provision increase of EUR 16 million following a refinement of lapse assumptions.

Special items amounted to EUR –19 million compared with EUR –26 million in the first quarter of 2016. Special items in the current quarter include EUR 11 million restructuring expenses related to the target to reduce the administrative expense base of Netherlands Life, Netherlands Non-life and corporate/holding entities, as well as costs related to the acquisition of Delta Lloyd, among other items.

The result on divestments amounted to EUR 9 million in the first quarter of 2017, reflecting the gain on the sale of Mandema & Partners completed in January 2017.

Net result

The first-quarter net result increased to EUR 435 million from EUR 270 million in the first quarter of 2016. The effective tax rate in the first quarter of 2017 was 20.0%, reflecting tax-exempt dividends and capital gains in the Netherlands related to shareholdings of 5% or more.

Sales

Total new sales (APE) at NN Group were EUR 620 million, up 28.3% from the first quarter of 2016 on a constant currency basis. New sales were up 24.0% at Netherlands Life reflecting higher renewals and new sales of group pension contracts. At Insurance Europe, new sales were up 29.4%, driven by higher life sales across the region. New sales at Japan Life increased 31.3% driven by the COLI critical illness product introduced in July 2016.

Net operating Return On Equity (ROE)

The net operating ROE of the ongoing business of NN Group increased to 9.9% compared with 8.6% in the first quarter of 2016, driven by a higher net operating result despite a higher adjusted allocated equity.

Sale of NN Life Luxembourg

On 6 April 2017, NN Group announced it has reached agreement with the Global Bankers Insurance Group on the sale of NN Life Luxembourg to an affiliate of Global Bankers Insurance Group. The transaction is subject to regulatory approval, and is expected to close in the second half of 2017. The transaction is not expected to have a material impact on the capital position and operating result of NN Group.

Unit-linked products in the Netherlands

Nationale-Nederlanden (NN) continues to reach out to customers to encourage them to carefully assess their unit-linked products in order to find an appropriate solution on an individual basis, where needed.

In March 2017 'Consumentenbond' and 'Wakkerpolis', both associations representing the interests of NN policyholders, separately initiated so-called 'collective actions' against NN. These claims are based on similar grounds as used in the collective action initiated by 'Vereniging Woekerpolis.nl' in November 2013. A ruling in first instance in the legal proceedings initiated by 'Vereniging Woekerpolis.nl' from the District Court in Rotterdam is expected in the second half of 2017. The claims of 'Consumentenbond' and 'Wakkerpolis' are rejected by NN and NN defends itself in these legal proceedings. These collective actions do not change earlier statements and conclusions disclosed by NN Group in relation to unit-linked products.

Netherlands Life

- Operating result increased to EUR 220 million versus EUR 177 million in the first quarter of 2016, driven by a higher technical margin and lower expenses
- Result before tax increased to EUR 353 million from EUR 277 million in the first quarter of 2016 driven by the higher operating result and higher non-operating items
- NN Life Solvency II ratio of 197%, down from 203% at the end of the fourth quarter of 2016 reflecting market impacts as well as dividend payment of EUR 150 million to the holding company

In EUR million	1Q17	1Q16	Change
Analysis of results			
Investment margin	198	191	3.9%
Fees and premium-based revenues	89	98	-9.2%
Technical margin	43	9	366.5%
Operating income non-modelled business	0	0	
Operating income	330	298	10.8%
Administrative expenses	99	108	-8.6%
DAC amortisation and trail commissions	10	12	-15.7%
Expenses	110	121	-9.3%
Operating result	220	177	24.7%
Non-operating items	143	101	41.6%
of which gains/losses and impairments	115	6	
of which revaluations	57	64	-11.1%
of which market & other impacts	-28	31	-190.7%
Special items before tax	-10	-1	
Result on divestments	0	0	
Result before tax	353	277	27.5%
Taxation	70	51	37.2%
Minority interests	0	0	-44.3%
Net result	283	226	25.4%
New business			
Single premiums	83	101	-17.7%
Regular premiums	194	153	26.7%
New sales life insurance (APE)	202	163	24.0%
Key figures			
Gross premium income	880	983	-10.5%
Total administrative expenses	99	108	-8.6%
Cost/income ratio (Administrative expenses/Operating income)	30.1%	36.5%	
Investment margin/Life general account invested assets (bps) ⁵⁾	116	138	
Net operating ROE ⁸⁾	9.1%	8.7%	

In EUR million	1Q17	4Q16	Change
Key figures			
Life general account invested assets ⁴⁾	67	66	1.4%
Total provisions for insurance & investment contracts ⁴⁾	72	72	-1.0%
of which for risk policyholder ⁴⁾	13	15	-14.1%
Allocated equity (end of period) ⁸⁾	15,152	15,916	-4.8%
NN Life Solvency II ratio ¹⁾	197%	203%	
Employees (internal FTEs, end of period)	2,046	2,088	-2.0%

The operating result of Netherlands Life increased to EUR 220 million from EUR 177 million in the first quarter of 2016 mainly driven by a higher technical margin and lower expenses, partly offset by lower fees and premium-based revenues.

The investment margin increased to EUR 198 million from EUR 191 million in the first quarter of 2016. The current quarter benefited from private equity dividends of EUR 41 million, whereas the first quarter last year included an exceptional dividend of EUR 30 million from an indirect stake in ING Life Korea and private equity dividends of EUR 29 million. Higher invested volumes and an increased allocation to higher-yielding assets more than offset the impact of the low interest rate environment on reinvestments. The investment spread, calculated on a four-quarter rolling average, decreased to 116 basis points from 138 basis points in the first quarter of 2016.

Fees and premium-based revenues decreased to EUR 89 million from EUR 98 million in the first quarter of 2016 due to the individual life closed book run-off as well as lower fees in the pension business.

The technical margin increased to EUR 43 million from EUR 9 million in the first quarter of 2016. The current quarter reflects a EUR 6 million release from the unit-linked guarantee provision due to an increase in interest rates, compared with a EUR 25 million addition to this provision in the first quarter of 2016.

Administrative expenses decreased to EUR 99 million from EUR 108 million in the first quarter of 2016 due to lower project and IT-related expenses.

DAC amortisation and trail commissions were EUR 10 million versus EUR 12 million in the first quarter of 2016 reflecting the run-off of the individual life closed book.

The result before tax increased to EUR 353 million from EUR 277 million in the first quarter of 2016. Gains/losses and impairments increased to EUR 115 million from EUR 6 million in the same period last year. The current quarter reflects capital gains on the sale of government bonds and equity investments, partly offset by impairments on equity investments. Revaluations were EUR 57 million compared with EUR 64 million in the first quarter of 2016. The current quarter reflects positive revaluations on real estate, partly offset by negative revaluations on private equity. Market and other impacts were EUR -28 million reflecting a movement in the provision for guarantees on separate account pension contracts (net of hedging).

New sales (APE) increased to EUR 202 million from EUR 163 million in the first quarter of 2016 driven by higher renewals and new sales of group pension contracts.

Netherlands Non-life

- Operating result improved to EUR 31 million from EUR 9 million in the first quarter of 2016 driven by favourable results in Disability & Accident
- Combined ratio improved to 99.7% versus 104.3% in the first quarter of 2016 reflecting an improvement in the D&A portfolio

In EUR million	1Q17	1Q16	Change
Analysis of results			
Earned premiums	400	385	3.9%
Investment income	28	24	13.9%
Other income	1	1	-28.3%
Operating income	428	410	4.4%
Claims incurred, net of reinsurance	281	289	-2.6%
Acquisition costs	64	59	9.4%
Administrative expenses	53	54	-1.8%
Acquisition costs and administrative expenses	117	113	4.1%
Expenditure	398	401	-0.7%
Operating result insurance businesses	30	8	251.0%
Operating result broker businesses	1	1	37.3%
Total operating result	31	9	229.6%
Non-operating items	3	26	-87.3%
of which gains/losses and impairments	2	23	-91.6%
of which revaluations	1	3	-53.4%
of which market & other impacts	0	0	
Special items before tax	0	-6	
Result on divestments	0	0	
Result before tax	34	29	18.4%
Taxation	7	6	8.6%
Minority interests	0	0	
Net result	27	22	21.2%
Key figures			
Gross premium income	788	760	3.7%
Total administrative expenses ⁹⁾	63	70	-10.4%
Combined ratio ³⁾	99.7%	104.3%	
of which Claims ratio ³⁾	70.3%	75.0%	
of which Expense ratio ³⁾	29.4%	29.3%	
Net operating ROE ⁸⁾	26.9%	8.8%	

In EUR million	1Q17	4Q16	Change
Key figures			
Total insurance provisions ⁴⁾	4	3	11.9%
Allocated equity (end of period) ⁸⁾	694	695	-0.1%
Employees (internal FTEs, end of period)	1,458	1,609	-9.4%

The operating result of Netherlands Non-life improved to EUR 31 million from EUR 9 million in the first quarter of 2016. The combined ratio was 99.7% versus 104.3% in the first quarter of 2016 driven by a favourable underwriting performance in Disability & Accident.

The operating result in Disability & Accident (D&A) improved to EUR 29 million from EUR 11 million in the first quarter of 2016 reflecting a favourable claims development in the Individual disability portfolio. The D&A combined ratio improved to 95.0% from 103.3% in the first quarter of 2016.

The operating result in Property & Casualty (P&C) improved to EUR 0 million from EUR –2 million in the first quarter of 2016. The current quarter reflects a favourable underwriting performance in Fire. This was largely offset by an unfavourable claims experience in the Miscellaneous portfolio as well as on prior accident years in Motor. The P&C combined ratio improved to 103.6% from 105.2% in the first quarter of 2016.

Administrative expenses decreased slightly to EUR 53 million.

The result before tax of Netherlands Non-life increased to EUR 34 million from EUR 29 million in the first quarter of 2016, which included gains on bonds and reflecting the higher operating result.

Insurance Europe

- Operating result increased to EUR 42 million from EUR 34 million in the first quarter of 2016, reflecting higher fees and premium-based revenues
- New sales (APE) were EUR 175 million, up 29.4% from the first quarter of 2016 at constant currencies, driven by higher life sales across the region

In EUR million	1Q17	1Q16	Change
Analysis of results			
Investment margin	14	15	-4.9%
Fees and premium-based revenues	143	134	7.1%
Technical margin	47	42	11.3%
Operating income non-modelled business	1	1	14.7%
Operating income Life Insurance	205	191	7.1%
Administrative expenses	82	78	4.4%
DAC amortisation and trail commissions	81	79	1.8%
Expenses Life Insurance	162	157	3.1%
Operating result Life Insurance	43	34	26.0%
Operating result Non-life	0	0	-178.3%
Operating result	42	34	23.5%
Non-operating items	21	-1	
of which gains/losses and impairments	19	-1	
of which revaluations	2	1	147.3%
of which market & other impacts	0	-1	
Special items before tax	0	-16	
Result on divestments	0	0	
Result before tax	63	17	268.1%
Taxation	10	4	167.4%
Minority interests	0	0	
Net result	53	13	296.0%
New business			
Single premiums	306	266	15.0%
Regular premiums	145	114	27.6%
New sales life insurance (APE)	175	140	25.2%
Key figures			
Gross premium income	609	580	5.0%
Total administrative expenses (Life & Non-life)	84	81	3.7%
Cost/income ratio (Administrative expenses/Operating income)	40.0%	38.6%	
Investment margin/Life general account invested assets (bps) ⁵⁾	72	69	
Net operating ROE ⁸⁾²¹⁾	9.2%	7.8%	

In EUR million	1Q17	4Q16	Change
Key figures			
Life general account invested assets ⁴⁾	10	10	-1.5%
Total provisions for insurance & investment contracts ⁴⁾	16	18	-13.5%
of which for risk policyholder ⁴⁾	6	8	-26.6%
Assets under management pensions ⁴⁾¹⁰⁾	18	16	9.1%
Allocated equity (end of period) ⁸⁾²¹⁾	1,942	1,923	1.0%
Employees (internal FTEs, end of period)	4,215	4,142	1.8%

Note: For data in constant currencies, refer to the 'NN Group Financial Supplement: 2.4.1 Analysis of results: Insurance Europe – Excluding currency effects'

The operating result of Insurance Europe increased to EUR 42 million from EUR 34 million in the first quarter of 2016 reflecting higher fees and premium-based revenues, while the first quarter of 2016 was impacted by a EUR 4 million provision related to the terrorist attacks in Belgium in March 2016.

The investment margin declined slightly to EUR 14 million.

Fees and premium-based revenues increased to EUR 143 million from EUR 134 million in the first quarter of 2016, which benefited from an update to provisions related to the pension business in Romania. The increase reflects higher traditional life premium revenues mainly in Poland and Turkey, higher fees on unit-linked products in Greece, as well as higher fees on Assets under Management across the region due to portfolio growth and market value increases.

The technical margin increased to EUR 47 million from EUR 42 million in the first quarter of 2016, mainly reflecting higher mortality results in Spain and higher morbidity results in Greece, while the first quarter of 2016 was negatively impacted by a provision related to the terrorist attacks in Belgium.

Administrative expenses increased to EUR 82 million from EUR 78 million in the first quarter of 2016 driven by project expenses in Poland and Spain.

DAC amortisation and trail commission increased to EUR 81 million from EUR 79 million in the first quarter of 2016 mainly driven by higher sales in Poland and Spain.

The result before tax increased to EUR 63 million from EUR 17 million in the first quarter of 2016 due to the higher operating result, higher gains on the sale of bonds and equity investments, and lower special items.

New sales (APE) increased to EUR 175 million from EUR 140 million in the first quarter of 2016 reflecting higher life sales across the region.

Japan Life

- Operating result was EUR 85 million, up 20.4% from the first quarter of 2016, excluding currency effects, reflecting higher fees and premium-based revenues and a higher technical margin, partially offset by higher expenses
- New sales (APE) were EUR 243 million, up 31.3% from the first quarter of 2016, excluding currency effects

In EUR million	1Q17	1Q16	Change
Analysis of results			
Investment margin	-3	-5	
Fees and premium-based revenues	194	176	10.0%
Technical margin	13	-1	
Operating income non-modelled business	0	0	
Operating income	204	170	20.2%
Administrative expenses	32	24	34.7%
DAC amortisation and trail commissions	87	79	10.0%
Expenses	119	103	15.7%
Operating result	85	67	27.1%
Non-operating items	-1	-1	
of which gains/losses and impairments	8	0	
of which revaluations	-9	-1	
of which market & other impacts	0	0	
Special items before tax	0	-1	
Result on divestments	0	0	
Result before tax	85	65	30.7%
Taxation	24	7	218.8%
Minority interests	0	0	
Net result	61	57	6.1%
New business			
Single premiums	0	6	-100.0%
Regular premiums	243	174	39.1%
New sales life insurance (APE)	243	175	38.6%
Key figures			
Gross premium income	1,114	951	17.2%
Total administrative expenses	32	24	34.7%
Cost/income ratio (Administrative expenses/Operating income)	15.6%	14.0%	
Net operating ROE ⁸⁾	15.1%	13.2%	

In EUR million	1Q17	4Q16	Change
Key figures			
Life general account invested assets ⁴⁾	15	14	9.7%
Total provisions for insurance & investment contracts ⁴⁾	13	12	7.7%
of which for risk policyholder ⁴⁾	0	0	3.5%
Allocated equity (end of period) ⁸⁾	2,336	2,272	2.8%
Employees (internal FTEs, end of period)	734	713	2.9%

Note: For data in constant currencies, refer to the 'NN Group Financial Supplement: 2.5.1 Analysis of results: Japan Life – Excluding currency effects'

The operating result of Japan Life was EUR 85 million, up 20.4% from the first quarter of 2016, excluding currency effects, reflecting higher fees and premium-based revenues and a higher technical margin, partially offset by higher expenses.

The investment margin improved slightly to EUR –3 million from EUR –5 million in the first quarter of 2016.

Fees and premium-based revenues were EUR 194 million, up 4.1% from the first quarter of 2016, excluding currency effects, driven by higher in-force volumes.

The technical margin was EUR 13 million, up from EUR –1 million in the first quarter of 2016 on more favourable mortality and surrender results.

Administrative expenses were EUR 32 million, up 27.2% from the first quarter of 2016, at constant currencies, as the first quarter of 2016 included a provision release. The increase was also driven by higher costs to support business growth.

DAC amortisation and trail commissions were EUR 87 million, up 4.3% from the first quarter of 2016, excluding currency effects, reflecting a higher in-force portfolio and higher DAC amortisation on surrenders.

The result before tax was EUR 85 million, up 23.9% from the first quarter of 2016, at constant currencies, reflecting the higher operating result.

The effective tax rate was 28.2% versus 11.6% in the first quarter of 2016, which included a release of deferred tax liabilities caused by a reduction of the statutory tax rate in Japan.

New sales (APE) increased to EUR 243 million from EUR 175 million in the first quarter of 2016, mainly driven by the COLI critical illness product introduced in July 2016.

Asset Management

- Total Assets under Management (AuM) decreased to EUR 194 billion from EUR 195 billion at the end of the fourth quarter of 2016 as net inflows in Third party assets of EUR 2.1 billion were more than offset by net outflows in Affiliated Business
- Operating result increased to EUR 33 million, up 15% from the first quarter of 2016, reflecting higher fees partly offset by higher expenses

In EUR million	1Q17	1Q16	Change
Analysis of results			
Investment income	0	0	
Fees	118	111	6.4%
Operating income	118	110	6.6%
Administrative expenses	85	82	3.7%
Operating result	33	29	15.0%
Non-operating items	0	0	
of which gains/losses and impairments	0	0	
of which revaluations	0	0	
of which market & other impacts	0	0	
Special items before tax	0	-1	
Result on divestments	0	0	
Result before tax	33	28	18.8%
Taxation	8	8	3.7%
Minority interests	0	0	
Net result	25	20	24.5%
Key figures			
Total administrative expenses	85	82	3.7%
Cost/income ratio (Administrative expenses/Operating income)	72.0%	74.0%	
Fees/average Assets under Management (in bps)	24	23	
Net operating ROE ⁸⁾	23.9%	21.4%	

In EUR million	1Q17	4Q16	Change
Key figures			
Assets under Management ⁴⁾	194	195	-0.4%
Allocated equity (end of period) ⁸⁾	426	399	7.0%
Employees (internal FTEs, end of period)	1,086	1,090	-0.4%
In EUR billion			
AuM roll-forward			
Beginning of period	195	199	-2.2%
Net inflow	-1	1	
Acquisition / Divestments	0	0	
Market performance (incl. FX impact) and Other	0	-6	
End of period	194	195	-0.4%

Total Assets under Management (AuM) at Asset Management were EUR 194 billion at the end of the first quarter of 2017, down from EUR 195 billion at the end of the fourth quarter of 2016. The decrease reflects net outflows (EUR 0.7 billion) and negative market performance (EUR 0.1 billion). Net outflows in the Proprietary and Other Affiliated Business (EUR 2.8 billion) were partly offset by net inflows in Third Party assets (EUR 2.1 billion), mainly in the Institutional business.

The first quarter operating result increased to EUR 33 million from EUR 29 million in the first quarter of 2016 driven by an increase in fees partly offset by higher expenses.

Fees were EUR 118 million, up 6.4% from the first quarter of 2016, reflecting higher average AuM.

Administrative expenses were EUR 85 million versus EUR 82 million in the first quarter of 2016 reflecting higher staff related expenses.

The result before tax increased to EUR 33 million from EUR 28 million in the first quarter of 2016 reflecting the higher operating result.

Other

- Operating result improved to EUR –5 million from EUR –11 million in the first quarter of 2016 supported by a higher NN Bank result offset by a lower holding result
- NN Bank operating result increased to EUR 24 million from EUR 13 million in the first quarter of 2016, reflecting a higher interest margin partly offset by higher expenses

In EUR million	1Q17	1Q16	Change
Analysis of results			
Interest on hybrids and debt	-31	-26	
Investment income and fees	12	14	-14.9%
Holding expenses	-16	-14	
Amortisation of intangible assets	0	-2	
Holding result	-36	-28	
Operating result reinsurance business	5	3	83.5%
Operating result NN Bank	24	13	80.3%
Other results	2	1	231.6%
Operating result	-5	-11	
Non-operating items	1	-3	
of which gains/losses and impairments	1	1	25.2%
of which revaluations	0	-4	
of which market & other impacts	0	0	
Special items before tax	-8	0	
Result on divestments	9	0	
Result before tax	-3	-14	
Taxation	-5	1	
Minority interests	0	0	
Net result	2	-15	
Key figures			
Total administrative expenses	63	58	8.6%
of which reinsurance business	4	4	2.6%
of which NN Bank	43	41	5.4%
of which corporate/holding	17	14	19.0%
Net operating ROE NN Bank ¹²⁾	13.6%	8.7%	

In EUR million	1Q17	4Q16	Change
Key figures			
NN Bank common equity Tier 1 ratio phased in ¹¹⁾	13.2%	14.0%	
NN Bank BIS ratio phased in ¹¹⁾	15.0%	15.6%	
Total assets NN Bank ⁴⁾	15	15	3.5%
Total provisions for insurance and investment contracts ⁴⁾	0	0	-8.7%
Employees (internal FTEs, end of period)	1,740	1,770	-1.7%

The operating result of the segment Other improved to EUR –5 million from EUR –11 million in the first quarter of 2016, supported by a higher NN Bank result offset by a lower holding result.

The holding result decreased to EUR –36 million from EUR –28 million in the first quarter of 2016, mainly driven by higher interest on hybrids and debt due to the timing of debt refinancing transactions. Holding expenses increased by EUR 2 million to EUR 16 million due to a revised method for charging head office expenses to the segments.

The operating result of the reinsurance business increased to EUR 5 million from EUR 3 million in the first quarter of 2016, mainly reflecting higher underwriting results.

The operating result of NN Bank increased to EUR 24 million from EUR 13 million in the first quarter of 2016, mainly driven by a higher interest margin, partly offset by higher administrative expenses to support the bank's continued growth.

The result before tax of the segment Other was EUR –3 million compared with EUR –14 million in the first quarter of 2016, mainly driven by the higher operating result. The result on divestments of EUR 9 million reflects the gain on the sale of Mandema & Partners completed in January 2017.

Japan Closed Block VA

- Result before tax was EUR –20 million compared with EUR -69 million in the first quarter of 2016, reflecting a lower hedge-related loss
- Portfolio run-off resulted in a 5.7% decrease in the number of policies compared with the fourth quarter of 2016

In EUR million	1Q17	1Q16	Change
Analysis of results			
Investment margin	-1	-1	
Fees and premium-based revenues	12	14	-17.9%
Technical margin	0	0	
Operating income non-modelled business	0	0	
Operating income	11	14	-18.4%
Administrative expenses	3	4	-21.6%
DAC amortisation and trail commissions	1	2	-23.6%
Expenses	5	6	-22.2%
Operating result	7	8	-15.6%
Non-operating items	-27	-77	
of which gains/losses and impairments	0	0	
of which revaluations	0	0	
of which market & other impacts	-27	-77	
Special items before tax	0	0	
Result on divestments	0	0	
Result before tax	-20	-69	
Taxation	-5	-16	
Minority interests	0	0	
Net result	-15	-53	

In EUR million	1Q17	4Q16	Change
Key figures¹³⁾			
Allocated equity ⁸⁾	519	583	-11.0%
Account value	7,926	8,201	-3.3%
Net Amount at Risk	434	352	
IFRS Reserves	677	674	0.4%
Number of policies	145,457	154,315	-5.7%
Employees (internal FTEs)	49	51	-3.9%

Note: For data in constant currencies, refer to the 'NN Group Financial Supplement: 2.8.1 Analysis of results: Japan Closed block VA – Excluding currency effects'

The result before tax of Japan Closed Block VA was EUR –20 million compared with EUR –69 million in the first quarter of 2016, reflecting a lower hedge-related loss. The first quarter of 2016 included a technical provision increase of EUR 16 million following a refinement of lapse assumptions.

The operating result decreased to EUR 7 million from EUR 8 million in the first quarter of 2016, as fees and premium-based revenues declined due to the run-off of the portfolio.

Fees and premium-based revenues were EUR 12 million, down 22.6% from the first quarter of 2016 excluding currency effects, mainly due to a lower account value reflecting a decreasing number of policies.

Administrative expenses decreased slightly to EUR 3 million.

Market and other impacts were EUR –27 million compared with EUR –77 million in the first quarter of 2016. The current quarter includes a hedge-related loss of EUR 26 million, whereas the first quarter of 2016 reflected a hedge-related loss of EUR 66 million and a technical provision increase of EUR 16 million, following a refinement of lapse assumptions.

The Net Amount at Risk in the Japan Closed Block VA decreased to EUR 434 million from EUR 498 million in the first quarter of 2016 and increased from EUR 352 million in the fourth quarter of 2016, primarily as a result of equity markets movements.

Consolidated Balance Sheet

- Total assets of NN Group decreased by EUR 1.1 billion compared with the fourth quarter of 2016 to EUR 167.4 billion reflecting the impact of increased long-term interest rates partly offset by currency movements
- Shareholders' equity decreased by EUR 0.6 billion to EUR 22.1 billion mainly reflecting lower revaluation reserves as the result of lower market values of the debt securities portfolio

in EUR million	31 Mar 17	31 Dec 16 ⁽²¹⁾	31 Mar 16 ⁽²¹⁾		31 Mar 17	31 Dec 16 ⁽²¹⁾	31 Mar 16 ⁽²¹⁾
Assets				Equity and liabilities			
Cash and cash equivalents	10,827	8,634	10,446	Shareholders' equity (parent)	22,108	22,695	23,088
Financial assets at fair value through profit or loss				Minority interests	12	12	9
- investments for risk of policyholders	26,282	30,711	31,954	Undated subordinated notes	986	986	986
- non-trading derivatives	3,817	4,421	6,079	Total equity	23,106	23,693	24,083
- designated as at fair value through profit or loss	618	873	595	Subordinated loans	2,301	2,288	2,290
Available-for-sale investments				Debt securities issued	1,093	598	597
- debt securities	71,186	72,779	72,933	Other borrowed funds	6,028	7,646	7,238
- equity securities	7,451	6,988	6,502	Insurance and investment contracts			
Loans	34,007	33,920	32,057	- life insurance provisions	82,754	80,704	81,164
Reinsurance contracts	262	231	267	- non-life insurance provisions	3,882	3,536	3,879
Associates and joint ventures	3,001	2,698	2,442	- provision for risk of policyholders	26,336	30,772	32,026
Real estate investments	2,137	2,028	1,592	- other	656	696	1,382
Property and equipment	88	86	82	Customer deposits and other funds on deposit	10,603	10,224	8,639
Intangible assets	338	342	342	Financial liabilities at fair value through profit or loss			
Deferred acquisition costs	1,715	1,631	1,580	- non-trading derivatives	1,602	2,008	2,276
Assets held for sale	2,491	6	0	Liabilities held for sale	2,473	2	0
Other assets	3,191	3,152	3,183	Other liabilities	6,577	6,333	6,480
Total assets	167,411	168,500	170,054	Total liabilities	144,305	144,807	145,971
				Total equity and liabilities	167,411	168,500	170,054

Assets

Cash and cash equivalents

Cash and cash equivalents increased by EUR 2.2 billion in the first quarter. This reflects an increase in the NN Group cash capital buffer due to the issuance of EUR 500 million of senior notes in January 2017 which were used to repay EUR 476 million of non-qualifying subordinated notes in May 2017, as well as a EUR 1.1 billion increase in the cash position of subsidiaries (mainly NN Life and NN Life Japan). In addition, EUR 0.5 billion of money market instruments were reinvested in instruments classified as cash and cash equivalents.

Investments for risk of policyholders

Investments for policyholders decreased EUR 4.4 billion during the first quarter mainly reflecting asset transfers for a total amount of EUR 1.9 billion from the separate account to the general account at Netherlands Life and the transfer to Assets held for sale for an amount of EUR 2.4 billion as the result of the sale of NN Life Luxembourg announced in April 2017. These changes are mirrored in the Provision for risk of policyholders.

Debt securities

Debt securities decreased by EUR 1.6 billion to EUR 71.2 billion due to the impact of higher long-term interest rates partly compensated by EUR 0.4 billion currency impacts.

Assets and Liabilities held for sale

Assets and Liabilities held for sale at the end of the first quarter reflect the balance sheet items of NN Life Luxembourg. The Assets and liabilities held for sale at the end of 2016 reflect Mandema & Partners, the sale of which was completed in January 2017.

Liabilities

Debt securities issued

Debt securities issued increased following the EUR 500 million senior notes issued in January 2017.

Life Insurance provisions

Life Insurance provisions increased by EUR 2.0 billion to EUR 82.8 billion mainly due to the transfer of insurance liabilities from the separate account to the general account at Netherlands Life, and a higher sales volume in NN Life Japan. These items were partly offset by lower deferred interest credited to policyholders following the decrease of the debt securities revaluation reserve and cash flow hedge reserve.

Provision for risk of policyholders

Provision for risk of policyholders decreased by EUR 4.4 billion reflecting the aforementioned transfers from the separate account to the general account at Netherlands Life and the transfer to assets and liabilities held for sale as the result of the sale of NN Life Luxembourg.

Equity

Shareholders' equity decreased by EUR 0.6 billion to EUR 22.1 billion at the end of the first quarter of 2017, reflecting a decrease in the available-for-sale debt securities revaluation reserves and a decrease in the cash flow hedge reserve, partly offset by a lower deferred interest credited to policyholders and the first quarter net result.

Changes in Shareholders' equity for the current quarter, the previous full year and the comparative quarter were as follows:

in EUR million	1Q17	FY16 ⁽²¹⁾	1Q16 ⁽²¹⁾
Shareholders' equity beginning of period	22,695	20,458	20,458
Net result for the period	435	1,189	270
Unrealised revaluations available-for-sale investments and other	-1,072	2,423	2,931
Realised gains/losses transferred to the profit and loss account	-109	-230	-23
Change in cash flow hedge reserve	-332	406	962
Deferred interest crediting to life policyholders	513	-689	-1,250
Share of other comprehensive income of associates and joint ventures	0	3	1
Exchange rate differences	60	-7	7
Remeasurement of the net defined benefit asset/liability	-2	-13	-21
Capital contributions and change in share capital	0	0	0
Dividend	0	-298	0
Purchase/sale treasury shares	-76	-503	-241
Employee stock option & share plans	-4	-10	-6
Coupon on undated subordinated notes	0	-34	0
Total changes	-587	2,237	2,630
Shareholders' equity end of period	22,108	22,695	23,088

The composition of Total equity at the end of the quarter, at the end of previous year and at the end of the comparative quarter was as follows:

in EUR million	31 Mar 17	31 Dec 16 ⁽²¹⁾	31 Mar 16 ⁽²¹⁾
Share capital	40	40	40
Share premium	12,153	12,153	12,153
Revaluation reserve available-for-sale investments and other	5,118	5,792	5,933
Cash flow hedge reserve	4,103	4,435	4,991
Currency translation reserve	71	10	4
Net defined benefit asset/liability remeasurement reserve	-105	-103	-111
Retained earnings and other reserves	728	368	78
Shareholders' equity (parent)	22,108	22,695	23,088
Minority interests	12	12	9
Undated subordinated notes	986	986	986
Total equity	23,106	23,693	24,083
Shareholders' equity per share in EUR	69	70	71

Capital Management

- Solvency II ratio of NN Group decreased to 238% from 241% at the end of the fourth quarter of 2016 primarily due to market impacts
- Free cash flow to the holding in the first quarter of 2017 was EUR 242 million, mainly driven by dividends from subsidiaries
- Cash capital position at the holding company increased to EUR 2,977 million, mainly due to the EUR 500 million senior unsecured notes issued in January 2017

Solvency II

in EUR million	31 Mar 17	31 Dec 16
Basic Own Funds	14,797	14,660
Non-available Own Funds	1,311	1,427
Non-eligible Own Funds	224	84
Eligible Own Funds (a)	13,263	13,149
of which Tier 1 Unrestricted	8,220	8,414
of which Tier 1 Restricted	1,095	1,919
of which Tier 2	1,891	1,043
of which Tier 3	747	750
of which non-solvency II regulated entities	1,309	1,022
Solvency Capital Requirements (b)	5,566	5,459
of which non-solvency II regulated entities	505	460
NN Group Solvency II ratio (a/b)¹⁾	238%	241%
NN Life Solvency II ratio¹⁾	197%	203%

The NN Group Solvency II ratio decreased to 238% at the end of the first quarter of 2017 from 241% at the end of the fourth quarter of 2016 mainly due to widening of credit spreads on French government bonds and an increase of the Solvency Capital Requirements due to higher equity risk. These effects were partly offset by operating return and positive performance of equity and real estate investments.

The NN Life Solvency II ratio decreased to 197% at the end of the first quarter of 2017 from 203% at the end of the fourth quarter of 2016, mainly due to the aforementioned widening of credit spreads on French government bonds and a EUR 150 million dividend paid to the holding company, partly offset by operating return and positive performance of equity and real estate investments.

Cash capital position at the holding company

in EUR million	1Q17	FY16
Beginning of period	2,489	1,953
Cash divestment proceeds	26	0
Dividends from subsidiaries ¹⁴⁾	296	1,611
Capital injections into subsidiaries ¹⁵⁾	-21	-93
Other ¹⁶⁾	-58	-169
Free cash flow to the holding¹⁷⁾	242	1,349
Acquisitions	-180	0
Capital flow from / (to) shareholders	-82	-812
Increase / (decrease) in debt and loans	508	0
End of period	2,977	2,489

Note: cash capital is defined as net current assets available at the holding company

The cash capital position at the holding company increased to EUR 2,977 million at the end of the first quarter of 2017 from EUR 2,489 million at the end of the fourth quarter of 2016. The increase was driven by EUR 296 million of dividends received from subsidiaries in the Netherlands, a legacy entity and NN Life Luxembourg, partly offset by the acquisitions of shares in Delta Lloyd (EUR 180 million) in February 2017 and the amount of shares

repurchased in the first quarter of 2017 (EUR 82 million). The cash capital position also increased due to the issuance of EUR 500 million senior notes in January 2017. The proceeds have since been used to repay the EUR 476 million non-qualifying subordinated notes in May 2017. Other movements include holding company expenses, interest on loans and debt, and other holding company cash flows. The cash divestment proceeds relate to the sale of Mandema & Partners, which was completed in January 2017.

Financial leverage

in EUR million	31 Mar 17	31 Dec 16	31 Mar 16
Shareholders' equity ²¹⁾	22,108	22,695	23,088
Adjustment for revaluation reserves ¹⁸⁾	-7,566	-8,763	-9,677
Goodwill	-252	-253	-259
Minority interests	12	12	9
Capital base for financial leverage (a)	14,302	13,692	13,161
Undated subordinated notes ¹⁹⁾	986	986	986
Subordinated debt	2,301	2,288	2,290
Total subordinated debt	3,286	3,273	3,276
Debt securities issued (financial leverage)	894	398	398
Financial leverage (b)	4,180	3,672	3,674
Debt securities issued (operational leverage)	199	199	199
Total debt	4,379	3,871	3,873
Financial leverage ratio (b/(a+b))	22.6%	21.1%	21.8%
Fixed-cost coverage ratio ¹⁹⁾²⁰⁾	13.4x	12.8x	11.9x

The financial leverage ratio of NN Group increased to 22.6% at the end of the first quarter of 2017 compared with 21.1% at the end of the fourth quarter of 2016, mainly due to the EUR 500 million senior notes issued in January 2017. The capital base for financial leverage increased by EUR 610 million mainly driven by the first-quarter net result of EUR 435 million, positive equity revaluations and currency impacts, partly offset by the amount of shares repurchased in the first quarter of 2017 (EUR 82 million).

The fixed-cost coverage ratio slightly increased to 13.4x at the end of the first quarter of 2017 from 12.8x at the end of the fourth quarter of 2016 (on a last 12-months basis).

In January 2017, NN Group issued EUR 500 million of senior unsecured notes with a fixed rate coupon of 0.875% per annum and a maturity of 6 years. The proceeds were used to repay EUR 476 million of subordinated notes of NN Group on its first call date in May 2017. The senior notes and the subordinated notes do not qualify as Own Funds under Solvency II.

On the same date NN Group issued EUR 850 million of subordinated notes with a maturity of 31 years and first callable after 11 years with a fixed rate coupon of 4.625% per annum until the first call date and a floating rate coupon thereafter. These subordinated notes qualify as Tier 2 capital under Solvency II. The proceeds were used to repay EUR 823 million of hybrid loans outstanding with ING Group which ceased to be grandfathered as Tier 1 capital under Solvency II from 1 January 2017.

Share buyback

NN Group intends to neutralise the dilutive effect of stock dividends. Accordingly, NN Group is repurchasing ordinary shares for an amount of EUR 238 million, equivalent to the value of the stock dividends related to the 2015 final dividend paid on 28 June 2016 and the 2016 interim dividend paid on 9 September 2016. The remaining outstanding amount on 12 May 2017 was EUR 18 million. These share buybacks will be executed under the open market share buyback programme by financial intermediaries by 31 May 2017. In the first quarter of 2017, shares for an amount of EUR 82 million were repurchased.

The share buyback programme is being executed within the limitations of the existing authority granted by the AGM on 2 June 2016 and is being performed in compliance with the safe harbour provisions for share buybacks. The shares will be repurchased at a price that does not exceed the last independent trade or the highest current independent bid on Euronext Amsterdam. NN Group intends to cancel all of the shares acquired under the

programme. NN Group reports on the progress of the share buyback programme on its corporate website on a weekly basis (www.nn-group.com/Investors.htm).

Share capital

On 24 April 2017, NN Group issued 8,749,237 ordinary shares, representing an aggregate value of EUR 255 million, to Fonds NutsOhra in exchange for the preference shares A held by Fonds NutsOhra and the perpetual subordinated loan provided to Delta Lloyd.

The total number of NN Group shares outstanding (net of 14,608,590 treasury shares) on 16 May 2017 was 328,992,018.

Credit ratings

On 11 May 2017, Standard & Poor's lowered the insurer financial strength rating with one notch to 'A' and long-term counterparty credit rating of NN Group N.V. with one notch to 'BBB+'. The outlook on these long-term ratings is stable. The NN Group ratings were removed from CreditWatch with negative implications where Standard and Poor's initially placed them on 7 October 2016. The downgrade reflects Standard & Poor's view on the capital implications of the acquisition of Delta Lloyd and their assessment of NN Group's enterprise risk management.

Credit ratings of NN Group N.V. on 18 May 2017	Financial Strength Rating	NN Group N.V. Counterparty Credit Rating
Standard & Poor's	A Stable	BBB+ Stable
Fitch	A+ Stable	A Stable

Footnotes reference page

- 1) The solvency ratios are not final until filed with the regulators. The Solvency II ratios are based on the partial internal model.
- 2) Basic earnings per ordinary share is calculated as the net result, adjusted to reflect the deduction of the accrued coupon on undated subordinated notes classified in equity, divided by the weighted average number of ordinary shares outstanding (net of treasury shares).
- 3) Excluding Mandema & Partners and Zicht broker businesses.
- 4) End of period, in EUR billion.
- 5) Four-quarter rolling average.
- 6) Net operating result of the ongoing business, adjusted to reflect the deduction of the accrued coupon on undated subordinated notes classified in equity.
- 7) 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 and undated subordinated notes classified as equity. Reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the 2016 consolidated annual accounts.
- 8) 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 and undated subordinated notes classified as equity. Reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the 2016 Consolidated Annual Accounts.
- 9) Including Mandema & Partners (applicable for 2016) and Zicht broker businesses.
- 10) The numbers shown under AuM are client balances which exclude IFRS shareholders' equity related to the respective pension businesses and include the assets under administration.
- 11) The 'NN Bank common equity Tier 1 ratio phased in' and the 'NN Bank BIS ratio phased in' are not final until filed with the regulators.
- 12) Net operating ROE is calculated as the (annualised) net operating result of NN Bank, divided by (average) adjusted allocated equity. Adjusted allocated equity is an Alternative Performance Measure. It is derived from IFRS equity by excluding revaluation reserves and undated subordinated notes classified as equity. Reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the 2016 Consolidated Annual Accounts.
- 13) End of period.
- 14) Includes interest on subordinated loans provided to subsidiaries by the holding company.
- 15) Includes the change of subordinated loans provided to subsidiaries by the holding company.
- 16) Includes interest on subordinated loans and debt, holding company expenses and other cash flows.
- 17) 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 and capital transactions with shareholders and debtholders.
- 18) Includes revaluations on debt securities, on the cash flow hedge reserve and on the reserves crediting to life policyholders.
- 19) 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.
- 20) 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.
- 21) As of 1 January 2017, NN Group changed its accounting policy for the Reserve Adequacy Test. The change represents a change in accounting policy under IFRS and is implemented retrospectively. The impact on previous periods is limited to the consolidated balance sheet and equity. For more details refer to the 31 March 2017 Condensed consolidated interim accounts.

NN Group Profile

NN Group is an international insurance and asset management company, active in 18 countries, with a strong presence in a number of European countries and Japan. With around 11,500 employees the group offers retirement services, insurance, investments and banking to more than 15 million customers. NN Group includes Nationale-Nederlanden, NN and NN Investment Partners. NN Group is listed on Euronext Amsterdam (NN).

Investor conference call and webcast

Lard Friese and Delfin Rueda will host an analyst and investor conference call to discuss the 1Q17 results at 10.00 am CET on Thursday 18 May 2017. Members of the investment community can join the conference call at +31 20 531 5865 (NL), +44 203 365 3210 (UK), +1 866 349 6093 (US) or follow the webcast on www.nn-group.com.

Press call

Lard Friese and Delfin Rueda will host a press call to discuss the 1Q17 results, which will be held at 12.00 pm CET on Thursday 18 May 2017. Journalists can join the press call at +31 (0)20 531 5863.

Financial calendar

- Annual General Meeting: 1 June 2017
- Publication 2Q17 results: 17 August 2017
- Publication 3Q17 results: 16 November 2017
- Capital Markets Day: 30 November 2017

Contact information

Press enquiries

Saskia Kranendonk
+31 62 568 3835
saskia.kranendonk@nn-group.com

Investor enquiries

Investor Relations
+31 88 663 5464
investor.relations@nn-group.com

Additional information on www.nn-group.com

- NN Group 1Q17 Financial Supplement, NN Group 1Q17 Analyst Presentation
- NN Group 31 March 2017 Condensed consolidated interim accounts
- NN Group 2016 Solvency and Financial Condition Report
- Photos of NN Group executives, buildings and events are available for download at [Flickr](#)

Important legal information

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

In preparing the financial information in this document, the same accounting principles are applied as in the 2016 NN Group Consolidated Annual Accounts, except as indicated in Note 1 of the 31 March 2017 Condensed consolidated interim accounts.

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