Prospectus
Dated 2 March 2015

NN Group N.V.

(a public limited liability company (naamloze vennootschap) incorporated under the laws of The Netherlands)

€3,000,000,000
Debt Issuance Programme

Under the Debt Issuance Programme described in this Prospectus (the "Programme"), NN Group N.V. (the "Issuer" or "NN"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue debt instruments (the "Notes"). The aggregate nominal amount of Notes outstanding will not at any time exceed €3,000,000,000 (or the equivalent in other currencies).

The Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*, the "AFM") in its capacity as competent authority under the Netherlands Financial Supervision Act (*Wet op het financieel toezicht*, the "WFT") has approved this Prospectus as a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC, as amended, to the extent that such amendments have been implemented in the relevant Member State of the European Economic Area (the "Prospectus Directive"). Application has also been made to Euronext Amsterdam N.V. ("Euronext") for the Notes issued under the Programme to be listed and admitted to trading on the regulated market of Euronext in Amsterdam ("Euronext Amsterdam"). References in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been listed and admitted to trading on the regulated market of Euronext Amsterdam. Euronext Amsterdam is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments. However, unlisted Notes may be issued pursuant to the Programme. The relevant Final Terms in respect of the issue of any Notes will specify whether or not such Notes will be listed and admitted to trading on the Euronext Amsterdam (or any other stock exchange).

Each Series (as defined in "Overview of the Programme—Method of Issue") of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a "temporary Global Note") or a permanent global note in bearer form (each a "permanent Global Note"). If the Global Notes are stated in the applicable Final Terms to be issued in new global note ("NGN") form, the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the "Common Safekeeper") for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg"). Notes in registered form will be represented by registered certificates (each a "Certificate"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Registered Notes issued in global form will be represented by registered global certificates ("Global Certificates"). If a Global Certificate is held under the New Safekeeping Structure (the "NSS") the Global Certificate will be delivered on or prior to the original issue date of the relevant Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg.

Global notes which are not issued in NGN form ("Classic Global Notes" or "CGNs") and Global Certificates which are not held under the NSS will be deposited on the issue date of the relevant Tranche with a common depositary on behalf of Euroclear and Clearstream, Luxembourg (the "Common Depositary").

The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "Summary of Provisions Relating to the Notes while in Global Form".

The Issuer is rated A- by Standard & Poor's Credit Market Services Europe Limited ("Standard & Poor's") and Baa2 by Moody's Investors Service Ltd. ("Moody's"). Each of Standard & Poor's and Moody's is established in the EU and registered under Regulation (EC) No 1060/2009 (the "CRA Regulation").

Tranches of Notes (as defined in "Overview of the Programme—Method of Issue") to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 on credit rating agencies (the "CRA Regulation") will be disclosed in the relevant Final Terms.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Prospectus.

Dealer

Deutsche Bank

Arranger for the Programme

Deutsche Bank

This Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC, as amended, to the extent that such amendments have been implemented in the relevant Member State of the European Economic Area (the "Prospectus Directive") and for the purpose of giving information with regard to the Issuer and its consolidated subsidiaries (the "Group") and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

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

This Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see "Documents Incorporated by Reference").

No person has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers or the Arranger (as defined in "Overview of the Programme"). Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933 (the "Securities Act") and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see "Subscription and Sale".

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Dealers to subscribe for, or purchase, any Notes.

To the fullest extent permitted by law, none of the Dealers or the Arranger accepts any responsibility for the contents of this Prospectus or for any other statement made or purported to be made by the Arranger or a Dealer or on its behalf in connection with the Issuer or the issue and offering of the Notes. The Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement. Neither this Prospectus nor any other financial statements should be considered as a recommendation by any of the Issuer, the Arranger or the Dealers that any recipient of

this Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

Potential investors are expressly advised that an investment in the Notes entails certain risks and that they should therefore carefully review the entire content of this Prospectus. A potential investor should not invest in the Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio. Prospective investors should also consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of the Notes.

In connection with the issue of any Tranche (as defined in "Overview of the Programme—Method of Issue"), the Dealer or Dealers (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or any person acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

In this Prospectus, unless otherwise specified or the context otherwise requires, references to "€", "EUR", "Euro" or "euro" are to the single currency of the participating member states of the European Union, references to "$", "USD" and "U.S. Dollars" are to the lawful currency of the United States of America, and references to "£", "GBP" and "Sterling" are to the lawful currency of the United Kingdom.

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 (a) changes in general economic conditions, in particular economic conditions in NN's core markets, (b) changes in performance of financial markets, including developing markets, (c) consequences of a potential (partial) break-up of the euro, (d) the implementation of the EC Restructuring Plan, (e) changes in the availability of, and costs associated with, sources of liquidity, as well as conditions in the credit markets generally, (f) the frequency and severity of insured loss events, (g) changes affecting mortality and morbidity levels and trends, (h) changes affecting persistency levels, (i) changes affecting interest rate levels, (j) changes affecting currency exchange rates, (k) changes in investor, customer and policyholder behaviour, (l) changes in general competitive factors, (m) changes in laws and regulations, (n) changes in the policies of governments and regulatory authorities, (o) conclusions with regard to accounting assumptions and methodologies, (p) adverse developments in legal and other proceedings, including proceedings related

to Dutch unit-linked policies, (q) changes in ownership that could affect the future availability to NN of net operating loss, net capital and built-in loss carry forwards, (r) changes in credit and financial strength-ratings, (s) NN's ability to achieve projected operational synergies and (t) the other risks and uncertainties detailed in the section headed "Risk Factors". Any forward-looking statements made by or on behalf of NN speak only as of the date they are made, and NN assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason. The Issuer urges investors to read "Risk Factors" for a more complete discussion of the factors that could affect the Issuer's future performance and the industry in which the Issuer operates.

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RISK FACTORS

Prospective investors should carefully consider the risk factors set out below, together with the other information contained in this Prospectus (including, but not limited to, the audited consolidated financial statements with the related notes), before making an investment decision with respect to the Notes. If any of the following risks should actually occur, NN's business, revenues, results of operations, financial condition and prospects could be materially adversely affected, which could result in an inability of the Issuer to pay interest and/or principal and could negatively affect the price of the Notes.

Although the Issuer believes that the risks and uncertainties described below are the material risks and uncertainties, they are not the only ones faced by NN. All of these factors are contingencies which may or may not occur. Additional risks and uncertainties not presently known to the Issuer or that the Issuer currently deems immaterial may also have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects, which could result in an inability of the Issuer to pay interest and/or principal and could negatively affect the price of the Notes.

Prospective investors should carefully review the entire Prospectus, and should form their own views before making an investment decision with respect to the Notes. Before making an investment decision with respect to the Notes, prospective investors should also consult their own financial, legal and tax advisers to carefully review the risks associated with an investment in the Notes and consider such an investment decision in light of the prospective investor's personal circumstances. The sequence in which the risk factors are presented below, and any quantitative historical impacts and sensitivities included, are not indicative of their likelihood of occurrence or the potential magnitude of their financial consequences in the future.

Risks Related to General Economic and Market Conditions

NN's business, revenues, results of operations, financial condition and prospects are materially affected by the condition of global financial markets and economic conditions generally.

Since the onset of the financial crisis in 2008, which in Europe was followed by the onset of the euro-crisis in 2010, weak macroeconomic conditions, including recessions, and the implementation of austerity measures in many economies, along with global financial market turmoil and volatility, have affected, and if these trends persist or return will continue to affect, the behaviour of NN's customers, and, by extension, the demand for, and supply of, NN's products and services. High unemployment levels; reduced consumer and government spending levels; government monetary and fiscal policies; inflation rates; interest rates; credit spreads and credit default rates; currency exchange rates; market indices, equity and other securities prices; real estate prices and changes in customer behaviour have affected and will continue to affect NN. All of these factors are impacted by changes in financial markets and developments in the global and European economies.

Over the past several years, as the Dutch, European and global economies have taken steps to recover from the financial crisis, significant actions by governments, including bail-outs of financial institutions, as well as volatile markets, interest rates and credit spreads and significant changes in asset valuations (including material write-offs and write-downs of impaired assets), have all affected the business of financial institutions, including NN. Continuing weakness or significant deterioration in the Dutch, European and global economies, a failure to return to growth, and continuing volatility in financial markets may affect NN in one or more of the following ways which, should such events occur, could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects:

- NN provides a number of life insurance, pension, income, investment and banking products that expose it to risks associated with fluctuations in interest rates, market indices, equity and other securities prices, credit default rates, the value of real estate assets, fluctuations in currency exchange rates and credit spreads. The profitability of many of these products depends in part on the value of the general account assets and separate account assets supporting them, which will fluctuate depending on the factors described in the previous sentence.

- Certain of NN's life insurance and pension products contain guaranteed minimum benefits. Financial market declines, decreases in prevailing interest rates, a prolonged period of low interest rates (such as that experienced over the past several years) and high market volatility have resulted, and may result, in the value of these guaranteed minimum benefits being higher than anticipated in the pricing, reserving and valuation assumptions made when the policies were issued, and have resulted, and may result, in a decrease in customer lapses. A decrease in customer lapses increases the costs to NN of these products because NN typically pays out the minimum guaranteed benefits on more policies when investment returns on the underlying assets are lower than the minimum guaranteed benefits, negatively impacting the profitability of those products. Such an impact on profitability would generally be reflected over time through IFRS earnings reflected in NN's consolidated financial statements, and could also result in an immediate decrease in available regulatory capital. Conversely, in periods of rapidly increasing interest rates, policy lapses and withdrawals may increase. This could force NN to sell investment assets at reduced prices and realise investment losses to make the cash payments due to its policyholders, having an immediate effect on IFRS earnings and available regulatory capital.

- Financial market conditions may adversely affect the effectiveness of the hedge instruments used by NN to manage certain risks to which it is exposed. This has resulted, and may result, in the hedge instruments not performing as intended or expected, in turn resulting in higher realised losses and increased cash needs to collateralise or settle these hedge transactions. Such financial market conditions have limited, and may limit, the availability, and increase the costs, of hedging instruments. In certain cases, these costs have not been, and may not be, fully recovered in the pricing of the products to which the hedges relate.

- In the ordinary course of its business, NN holds investment portfolios containing a variety of asset classes, including fixed income securities (amongst which, government bonds of the GIIPS countries (being Greece, Italy, Ireland, Portugal and Spain), corporate bonds, mortgages and asset-backed securities ("ABS")), equities, real estate and investments in private equity funds. The value of these investment portfolios has been, and may be, negatively impacted by adverse conditions in the financial markets and economies generally, interest rate changes, changes in mortgage prepayment behaviour or declines in the value of underlying collateral, potentially resulting in increased capital requirements and realised or unrealised losses on those portfolios and decreased investment income. The value of NN's investment portfolios has also been, and may be, adversely impacted by reductions in price transparency, changes in the assumptions or methodologies used to estimate fair value and changes in investor confidence or preferences, resulting in higher realised or unrealised losses. A decrease in the value of the investment portfolios has impacted, and could impact, the results of operations and financial condition of certain of the Issuer's subsidiaries, requiring capital injections and impacting the ability of certain of those subsidiaries to distribute dividends.

- Weak performance of financial markets or underperformance (compared to certain benchmarks or NN's competitors) by funds or accounts that NN manages, or investment products that NN sells, has impacted, and may impact, NN's ability to attract new customers, and has caused, and may cause, customer investments to be withdrawn or reduced, resulting in reduced fee and commission income earned by NN from the management of investment portfolios for third parties, and reduced fee income on certain annuity, pension and investment products. Furthermore, changes in financial market conditions have caused, and may cause, a shift in NN's assets under management ("AuM") mix from equity towards fixed income products, potentially contributing towards a decline in the revenues earned by NN from the management of investment portfolios for third parties.

- Adverse economic conditions generally (including high unemployment rates) may reduce the level of savings and investment in insurance, banking and investment products. Furthermore, financial market conditions characterised by decreasing or persistently low interest rates may cause a decline in the benefits NN is commercially able to offer under its insurance products. These effects have reduced, and may reduce, demand for NN's products and services. Adverse economic conditions generally have resulted, and may result, in reductions in numbers of employees of NN's existing corporate customers in its group life insurance business, in turn resulting in a reduction in underlying employee participation levels and thus in the contributions, deposits and premium income attributable to certain of NN's pension products.

- NN holds certain assets that have low liquidity, such as privately placed fixed income securities, commercial and residential mortgage loans, ABS, government bonds of certain countries, private equity investments and real estate. Since the onset of the financial crisis, many of these assets have proven to be illiquid resulting in realised losses if such assets were sold and unrealised losses on such assets if they were marked-to-market. Although the liquidity for certain of these assets has improved, a further downturn in the financial markets may exacerbate the low liquidity of these assets and may also reduce the liquidity of assets that are typically liquid, as occurred during the financial crisis in the case of the markets for ABS relating to real estate assets and other collateralised debt and loan obligations. If NN requires significant amounts of cash on short notice in excess of normal cash requirements or is required to post or return collateral in connection with its investment portfolio, derivatives transactions or securities lending activities, NN may be forced to sell assets. If those assets are illiquid, NN may be forced to sell them for a lower price than it otherwise would have been able to realise, resulting in losses.

- Disruptions, uncertainty or volatility in financial markets may limit or otherwise adversely impact NN's ability to access the public markets for debt and equity capital. This may in turn force NN to (a) delay raising additional capital, (b) issue debt securities of different types or under less favourable terms to NN than it would otherwise do, or (c) incur a higher cost of capital than it would otherwise have incurred, each of which may have a material adverse effect on NN's capital and liquidity position. Insufficient liquidity in public markets may force NN to curtail certain operations and strategies, and may adversely impact NN's ability to meet regulatory and rating agency requirements.

The continuing risk that one or more European countries could exit the eurozone could have a material adverse effect on NN's business, results of operations, financial condition and prospects.

Despite recent improvements in the financial position of many European countries, there remains a risk that financial difficulties may result in certain European countries exiting the eurozone. The possible exit from the eurozone of one or more European countries and the replacement of the euro by one or more successor currencies could create significant uncertainties regarding the enforceability and valuation of euro denominated contracts to which NN (or its counterparties) are a party and thereby materially and adversely affect NN's (and/or its counterparties') liquidity, business and financial condition. Such uncertainties may include the risk that (a) a liability that was expected to be paid in euro is redenominated into a new currency (which may not be easily converted into other currencies without significant cost), (b) currencies in some European countries may devalue relative to others, (c) former eurozone member states may impose capital controls that would make it complicated, illegal or more costly to move capital out of such countries, and/or (d) some courts (in particular, courts in countries that have left the eurozone) may not recognise and/or enforce claims denominated in euro (and/or in any replacement currency). The possible exit from the eurozone of one or more European countries and/or the replacement of the euro by one or more successor currencies could also cause other significant market dislocations and lead to other adverse economic and operational impacts that are inherently difficult to predict or evaluate. As a result, the occurrence of one or more of these events could have a material adverse effect on the business, results of operations, financial condition and prospects of NN and its counterparties.

A downgrade or a potential downgrade in NN's credit or financial strength ratings could have a material adverse effect on NN's ability to raise additional capital, or increase the cost of additional capital, and could result in, amongst others, a loss of existing or potential business (including losses on customer withdrawals), lower AuM and fee income, and decreased liquidity, each of which could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

In general, credit and financial strength ratings are important factors affecting public confidence in insurers, and are as such important to NN's ability to sell its products and services to existing and potential customers. Credit ratings represent the opinions of rating agencies regarding an entity's ability to repay its indebtedness. On an operating subsidiary level, financial strength ratings reflect the opinions of rating agencies on the financial ability of an insurance company to meet its obligations under an insurance policy, and are typically referred to "claims-paying ability" ratings.

The Issuer has the following credit ratings: Standard & Poor's: A- (last updated 18 February 2015, when Standard & Poor's regarded the outlook as "stable"); Moody's: Baa2 (last updated 18 February 2015, when Moody's regarded the outlook as "stable").

The following operating subsidiaries of the Issuer are the only operating subsidiaries with financial strength ratings.

- Nationale-Nederlanden Levensverzekering Maatschappij N.V. ("NN Life") has the following financial strength rating: Standard & Poor's: A+ (last updated 18 February 2015, when Standard & Poor's regarded the outlook as "stable").
- ING Re (Netherlands) N.V. ("NN Re") has the following financial strength rating: Standard & Poor's: A+ (last updated 18 February 2015, when Standard & Poor's regarded the outlook as "stable").
- ING Life Insurance Company, Ltd. ("NN Japan") has the following financial strength rating: Standard & Poor's: A- (last updated 19 February 2015, when Standard & Poor's regarded the outlook as "stable").

Rating agencies review insurers' ability to meet their obligations (including to policyholders and their creditworthiness generally) based on various factors, and assign ratings stating their current opinion in that regard. While most of the factors are specific to the rated company, some relate to general economic conditions, intercompany dependencies and other circumstances outside the rated company's control. Such factors might also include a downgrade of the sovereign credit rating of the Netherlands as rating agencies typically take into account the credit rating of the relevant sovereign in assessing the credit and financial strength ratings of a corporate issuer. Rating agencies have increased the level of scrutiny that they apply to financial institutions, have increased the frequency and scope of their reviews, have requested additional information from the companies that they rate, and may adjust upward the capital and other requirements employed in the rating agency models for maintenance of certain ratings levels. NN may need to take actions in response to changing standards or capital requirements set by any of the rating agencies, which may not otherwise be in the best interests of NN. NN cannot predict what additional actions rating agencies may take, or what actions NN may take in response to the actions of rating agencies. The outcome of such reviews may have adverse ratings consequences, which could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects. A downgrade in NN's credit ratings could (a) make it more difficult or more costly to access additional debt and equity capital, (b) increase collateral requirements, give rise to additional payments, or afford termination rights, to counterparties under derivative contracts or other agreements, and (c) impair, or cause the termination of, NN's relationships with creditors, distributors, reinsurers or trading counterparties, each of which may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

Certain of NN's life insurance products (including annuity and pension products) are subject to longevity risk, which is the risk that the insured lives longer than assumed, with the result that the insurer must continue paying out on the relevant policy for longer than was anticipated, which could have a material adverse effect on NN's business, results of operations, financial condition and prospects.

In valuing its insurance liabilities and in establishing its pricing and reserving standards, NN uses assumptions to model the future benefit payments, which may be different from the actual benefit payments that will become due in the future if the insured lives longer than was assumed. A change in assumptions could result in a material decrease in available regulatory capital in the Netherlands, which could have a material adverse effect on NN's financial condition.

NN has long-term assets and liabilities and is exposed to the risk of a mismatch between the value of the assets and the liabilities resulting from changes in interest rates and credit spreads, which could have a material adverse effect on NN's results of operations and financial condition.

As a provider of life insurance and guaranteed pension products, NN requires a significant amount of long-term fixed income assets which are mostly matched against its long-term insurance liabilities. Fixed income assets are typically valued at fair market value in accordance with current accounting and solvency regulations and are therefore sensitive to interest rate and credit spread movements. However, corresponding liability valuations do not fluctuate with interest rate and credit spread movements when they are valued using a fixed accrual methodology, which may apply depending on applicable accounting, reporting and regulatory frameworks. Moreover, even if the corresponding liabilities are valued using a market consistent methodology, they may nevertheless have limited or different sensitivity to credit spread and interest rate movements because the discount rate applied in those market consistent valuations (in some cases, including the discount rate prescribed or determined by regulators) typically do not fully reflect sensitivities to credit spread and interest rate movements and therefore the value of the liabilities may not match that of the fixed income assets. In addition, there may be a mismatch in interest rate sensitivities if the duration of the liabilities of a business unit differs from the fixed income assets.

In all of these cases, there is a mismatch between the valuations of the fixed income assets and liabilities that, depending on applicable accounting, reporting and regulatory frameworks, could have a material adverse effect on NN's available regulatory capital (including in the Netherlands and Japan), results of operations and financial condition.

Sustained low interest rate levels could have a material adverse effect on NN's revenues, results of operation, financial condition and prospects.

The sustained low interest rate environment in recent years, in particular in Europe and Japan, has impacted NN in various ways, including the following, and will continue to do so if it persists.

- In a period of sustained low interest rates, financial and insurance products with long-term options and guarantees (such as pension, whole-life and disability products) may be more costly to NN. NN may therefore incur higher costs to hedge the investment risk associated with such long-term options and guarantees of these products. Moreover, economic capital NN holds for long-term risks, such as longevity, expense and morbidity risks, is higher in a low interest rate environment. These effects limit the ability of NN to offer these products at affordable prices. Also, the present value impact of assumption changes affecting future benefits and expenses is larger, creating more volatility in NN's results of operations and available regulatory capital.

- NN holds long-term fixed income assets, which are matched against its long-term liabilities. Over the next several years, fixed income assets that were purchased prior to the onset of the financial crisis when interest rates were higher will run off. This will subject NN to an investment risk because, in a low interest rate environment, NN may not be able to reinvest the proceeds from maturing investments or to invest the premiums, which it will continue to receive on recurring premium products with interest rate guarantees, in assets with a comparable return profile.

Sustained low interest rate levels have had, and could continue to have, a material adverse effect on NN's revenues, results of operation, financial condition and prospects.

Rising interest rates could reduce the value of fixed income investments held by NN, increase policy lapses and withdrawals, and increase collateral requirements under NN's hedging arrangements, which could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

If interest rates rise, the value of NN's fixed income portfolio may decrease. This may result in unrealised losses, which in certain regulatory environments, for instance in Japan, could lead to reductions in available regulatory capital and the distributable earnings of the Issuer's Japanese subsidiaries. Furthermore, rising interest rates could require that NN post collateral in relation to its interest rate hedging arrangements. In periods of rising interest rates, policy lapses and withdrawals may increase as policyholders may believe they can obtain a higher rate of return in the market place. In order to satisfy the resulting obligations to make cash payments to policyholders, NN may be forced to sell assets at reduced prices and thus realise investment losses. Such a sale of investment assets may also result in a decrease in NN's AuM, which could result in reduced fee income as NN's fee income is typically linked to the value of the AuM.

The occurrence of any of the risks set out above could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

NN is exposed to currency transaction risks and currency translation risks.

The Issuer's operating subsidiaries may enter into transactions in currencies other than their local currency. Movements in relevant currency exchange rates could adversely affect the revenues, results of operations and financial condition of those operating subsidiaries, and in turn that of the Issuer. The Issuer is also subject to currency translation risks as the financial statements of some of its subsidiaries are prepared in currencies other than the euro, the most important of which are the Japanese yen and the Polish zloty. The Issuer and its subsidiaries also receive dividends and other distributions from subsidiaries in currencies other than the euro. Changes in currency exchange rates between the euro and these currencies, particularly the Japanese yen and the Polish zloty, can cause changes in the value (in euro) of corresponding positions on the consolidated financial statements of NN, even where results as measured in the local currency have remained unchanged, or have even improved.

Certain subsidiaries of the Issuer may be subject to liquidity risk, which may not be timely resolved by liquidity available elsewhere in the NN group.

Most of NN's operating insurance companies will have adequate liquid assets as they have significant holdings of government bonds. However, certain NN entities, such as the Issuer, NN Re, Nationale-Nederlanden Interfinance B.V., NN Japan and NN Bank could be faced with a lack of liquidity. In addition, the Issuer is dependent on dividend payments by its subsidiaries to service its debt and expenses. Payments of dividends to the Issuer by its subsidiaries may be restricted by applicable laws and regulations of their respective jurisdictions, including laws establishing minimum solvency and liquidity thresholds. NN Re has a large derivatives portfolio in respect of the variable annuity guarantees it reinsures for certain members of the NN group, which could require it to post (additional) collateral. Nationale-Nederlanden Interfinance B.V. is the legal entity that enters into most of the derivative contracts that NN uses to hedge its insurance portfolios, and could be required to post (additional) collateral if, for instance, equity markets fall and interest rates rise.

NN Japan's portfolio of corporate-owned life insurance ("COLI") could suffer significant surrenders if certain tax benefits on existing business become no longer available to NN's corporate customers following a change in Japanese tax regulations, which could result in liquidity issues if this is combined with a significant increase in Japanese interest rates reducing the value of assets which would need to be sold to satisfy its obligations to customers. NN Bank is exposed to the risk of customer deposit outflows and an inability to attract wholesale funding to fund its illiquid assets, in particular its mortgage portfolio. There can be no assurance that liquidity available elsewhere in the NN group can or may be made available to the Issuer or affected subsidiary or that any such entity will have access to external sources of liquidity.

Risks Related to the Business

Sales of life insurance products in the Netherlands have been declining since 2008. NN can give no assurance that sales volumes of its life insurance products will increase in the future. Slow growth of, or further declines in, such sales volumes could, over time, have a material adverse effect on NN's revenues, results of operations and prospects.

Sales of life insurance products in the Netherlands have declined since 2008, mainly due to the continued effects of the global economic crisis and the economic recession in the Netherlands during that period; a depressed Dutch mortgage market against which many life insurance products are linked; negative publicity relating to unit-linked products in the Netherlands; low interest rates; changes in tax laws that have made certain life insurance products less attractive to customers, and a shift in focus of insurance companies, pension funds and employers away from traditional defined benefit pension schemes as low interest rates, and the guarantees that form part of these products, have increased the cost and made these products less attractive for employers providing such benefits. NN can give no assurance that sales volumes of its life insurance products, in the Netherlands and elsewhere, will increase in the future (in particular in relation to NN's individual life insurance business, which is to a large extent in run-off). Slow growth of, or further declines in, such sales volumes could have a material adverse effect on NN's revenues, results of operations and prospects.

If NN is unable to successfully implement its strategy, or if NN's strategy does not yield the anticipated benefits, this may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects and NN may not achieve its targets. If one or more of the assumptions that NN has made in setting its targets are inaccurate, NN may be unable to achieve one or more of its targets.

NN's strategy aims to generate capital and improve earnings via transformation in the Netherlands, profitable growth and operating leverage in other segments, and diligent management of its Japan Closed Block VA. NN intends to operationally improve and selectively grow its insurance businesses in the Netherlands. If NN's strategy is not implemented successfully, or if NN's strategy does not yield the anticipated benefits, this could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects and NN may be unable to achieve its targets. The ability to successfully implement NN's strategy will also be impacted by factors such as general economic and business conditions, many of which are outside the control of NN. If one or more of the assumptions that NN has made in setting its targets are inaccurate, or if one or more of the risks described in this section occur, NN may be unable to achieve one or more of its targets.

Because NN operates in highly competitive markets, it may lose its competitive position and market share, which may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

In each of NN's business lines, NN faces intense competition, including from domestic and foreign insurance companies, distributors, financial advisers, banks, asset managers and diversified financial institutions, both for the ultimate customers for NN's products and for distribution through third party distribution channels.

NN competes based on a number of factors, including brand recognition, reputation, perceived financial strength and credit ratings, scope of distribution, quality of investment advice, quality of service, product features, investment performance of its products and price. A decline in NN's competitive position could have a material adverse effect on its business, revenues, results of operations, financial condition and prospects.

Recent years have seen substantial consolidation among companies in the financial services industry through acquisitions, (forced) takeovers and the formation of new alliances. Increased levels of consolidation have enhanced the competitive position of some of NN's competitors by broadening their product and services ranges, increasing their distribution channels and increasing their access to capital. Consolidation has also created larger competitors with lower (relative) operating costs and an ability to absorb greater risk more competitively, which could adversely affect NN's ability to obtain new, or retain existing, customers, or its ability to adjust prices. These competitive pressures could result in increased pressure on product pricing and commissions on a number of NN's products and services, which may adversely affect NN's operating margins, underwriting results and capital requirements, or reduce market share, any of which could have a material adverse effect on NN's business, revenues, results of operations and prospects.

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

Developing technologies are accelerating the introduction and prevalence of alternative distribution channels, particularly the internet. Such alternative distribution channels may also increase the possibility that new competitors whose competencies include the development and use of these alternative distribution channels may enter the markets in which NN operates.

Catastrophes, including natural disasters, may result in substantial losses and could have a material adverse effect on NN's business, results of operations, financial condition and prospects.

NN is subject to losses from unpredictable events that may affect multiple insured risks. Such events include both natural and man-made events, such as, but not limited to, windstorms, coastal inundation, floods, severe winter weather and other weather-related events, pandemics, large-scale fires, industrial explosions, earthquakes and other man-made disasters such as civil unrest and terrorist attacks.

The extent of the losses from such catastrophic events is a function of their frequency, the severity of each individual event and the reinsurance arrangements that NN has in place. A catastrophic event that is sufficiently severe could result in one or more reinsurers that have reinsured that event defaulting on their obligations to the relevant insurers, including NN. Some catastrophes, such as explosions, occur in small geographic areas, while others, including windstorms and floods, may produce significant damage to large, heavily populated and widespread areas. The frequency and severity of catastrophes in general are inherently unpredictable and subject to long-term external influences, such as climate change, and a single catastrophe or multiple catastrophes in any period could have a material adverse effect on NN's business, results of operations, financial condition and prospects.

The non-life insurance business has historically been cyclical, characterised by periods of intense competition in relation to price and policy terms and conditions often due to excessive underwriting capacity, resulting in fewer policies written, lower premium rates, increased expenses for customer acquisition and retention, and less favourable policy terms and conditions for NN, and such cycles may occur again.

Insurers that offer non-life insurance products have historically experienced significant fluctuations in operating results due to competition, the levels of underwriting capacity, general social, legal or economic conditions and other factors. The non-life insurance business has historically been cyclical, characterised by periods of intense competition in relation to price and policy terms and conditions often due to excessive underwriting capacity, as well as periods when shortages of capacity have seen increased premium rates and policy terms and conditions that are more advantageous to underwriters. Increases in the supply of insurance (whether through an increase in the number of competitors, an increase in the capitalisation available to insurers or otherwise) and, similarly, reduction in consumer demand for insurance could have adverse consequences for NN, including fewer contracts written, lower premium rates, increased expenses for customer acquisition and retention, and less favourable policy terms and conditions for NN, any of which could have a material adverse effect on NN's business, results of operations, financial condition and prospects.

In the ordinary course of managing and reporting on its business, NN makes extensive use of assumptions and actuarial models to estimate future revenues and expenditures until the maturity of its insurance portfolios, and to assess the related risks. Differences in experience compared with assumptions, as well as updates of the assumptions and actuarial models, may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

In the ordinary course of managing and reporting on its business, NN makes extensive use of actuarial models to estimate future revenues (including premium income and investment returns) and expenditures (including claims payable, policyholder benefits payable, operating expenses, investment expenses, commissions payable and tax expenses) until the maturity of its insurance portfolios, which are used for various purposes, including pricing, reserving, reserve adequacy testing, solvency, economic capital and hedging programmes, and uses risk models to assess the related risks.

These actuarial models use, among others, statistics, observed historical market data, insurance policy terms and conditions, and NN's own judgement, expertise and experience, and include assumptions as to, among others, the levels and timing of payment of premiums, benefits, claims, expenses, interest rates, credit spreads, investment portfolio performance (including equity market and debt market returns), longevity, mortality, morbidity and product persistency, and customer behaviour (including with respect to surrenders or extensions). NN's risk models also include assumptions as to regulatory capital and other requirements, which are particularly uncertain in the current regulatory environment, which is undergoing significant, and ongoing, changes. Actuarial and risk models are complex and may not identify all relevant elements, or may not accurately estimate the magnitude of the impact of identified elements. The effectiveness of these models depends on the quality of information used, which may not always be accurate, complete or up to date, or the significance of which may not always be properly evaluated. Actuarial and risk models are inherently uncertain and involve the exercise of significant own judgement. NN therefore cannot determine with precision the amounts that it will pay for, or the timing of payment of, actual benefits, claims and expenses or whether the assets supporting NN's policy liabilities, together with future premiums, will be sufficient.

If actual experience differs from assumptions or estimates, the profitability of NN's products may be negatively impacted, NN may incur losses, and NN's capital and reserves may not be adequate, and the effectiveness of NN's hedging programmes may be adversely affected.

From time to time, NN may need to update its assumptions and actuarial and risk models to reflect actual experience and other new information. Changes to assumptions and these models could impact NN by, for instance, requiring that it update its hedge positions, in which case NN may incur losses, or result in a review of, and subsequent changes to, NN's product pricing, which could have a material adverse effect on NN's business, revenues, results of operations and prospects. In addition, the impact of changes to assumptions, actuarial and risk models on NN's financial reporting will differ depending on applicable accounting and regulatory frameworks.

The impact of changes in assumptions for most of NN's life insurance business would be reflected over the remaining life of the policies through IFRS earnings. However, for non-life insurance business and the variable annuity business, regular updates are made to the assumptions, with an immediate change in the present value of reserves and therefore on IFRS earnings. Furthermore, updates in assumptions within the life insurance business in the Netherlands would result in an immediate change in the present value of the liabilities used to determine available regulatory capital in the Netherlands and would therefore have an immediate impact on available regulatory capital. Changes in assumptions could therefore have a material adverse effect on NN's results of operations and financial condition.

In valuing its insurance liabilities and in pricing its life insurance and pension products, NN uses assumptions to model the impact of future policyholders' behaviour, which may be different from the actual impact of future policyholders' behaviour. A discrepancy between assumed policyholder behaviour and actual experience, as well as changes to the assumptions used in the modelling, may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

NN is exposed to risks associated with the future behaviour of policyholders which may have an impact on future claims payment patterns. Relevant policyholder behaviours include, among others, policy lapse, withdrawal and surrender decisions, decisions on whether or not to extend the term of a policy, premium payment decisions, discretionary policy top-ups, and choices regarding the underlying fund composition in relation to certain pension and investment products. Risks arise from the discretions afforded to policyholders under the policies, and decisions by customers on whether or not to perform under the policies.

Policyholder behaviours and patterns can be influenced by many factors, including financial market conditions and economic conditions generally. Factors such as customer perception of NN, awareness and appreciation by customers of potential benefits of early surrender, and changes in laws (including tax laws that make relevant products more or less beneficial to customers from a tax perspective) can also affect policyholder behaviour. Other factors, less directly related to the product, such as a change in state pensions, an increase or decrease in the preference of consumers for cash at hand, the existence and terms of competing products, and others, may also have an impact on policyholder behaviour.

A discrepancy between assumed policyholder behaviour and actual experience, as well as changes to the assumptions used in the modelling, may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

Investment guarantees of NN's separate accounts pension business in the Netherlands and the variable annuity products sold in Japan have in the past had, and may in the future have, a material adverse effect on NN's business, results of operations, and financial condition.

NN's separate account business in the Netherlands consists of large pension contracts sold to employers under which a discretion to choose the funds in which premiums are invested is afforded, while NN offers a guaranteed return ranging from 3 per cent. to 4 per cent. As derivative instruments to hedge exposure to the investment options fully reflecting these exposures are not available, NN's obligations under these policies cannot be fully hedged and as a result the capital required for this business, as well as results of operations attributable to this business, is volatile.

NN's Japan Closed Block VA segment consists of variable annuity individual life insurance policies sold primarily from 2001 to 2009, when the block entered into run-off. These products offered policyholders the opportunity, at their discretion but within certain parameters, to invest in a variety of Japanese and international equity, fixed income and other investment funds. In addition, these products included guaranteed minimum death benefits and provided customers with the option to purchase guaranteed minimum survival benefit riders. In some cases, such products include ratchets, the effect of which is to reset the guaranteed benefit at a higher level in case of positive market performance.

Many of these products permit policyholders to make certain determinations at their discretion, including the discretion to surrender the contract, and in some cases to extend the contract. As a result, NN's liability under these contracts is subject to policyholder behaviour, which is difficult to predict. Moreover, these discretionary characteristics amplify the potential effects of many other factors and risks, including basis risk, market volatility risks, risks arising when policies are close to renewal date, financial market conditions, hedging programme ineffectiveness, differences between assumptions and actual experience, operational risks and regulatory risks, all of which may have significant negative impacts on earnings, require significant adjustments of NN's hedging position that might negatively impact liquidity, and require increases in regulatory reserves and capital requirements, each of which could have a material adverse effect on NN's results of operations and financial condition.

Discrepancies between assumed mortality and morbidity and actual mortality and morbidity experience may have a material adverse effect on NN's results of operations and financial condition.

NN's insurance business is exposed to mortality and morbidity risk. Mortality risk is the risk that a greater number of insured persons die than was assumed, resulting in higher claims. NN's most significant exposure to mortality risk is in its term life and endowment policies. Morbidity risk is the risk that a greater number of insured persons will suffer from insured illnesses and disabilities than was assumed, resulting in higher claims and benefit payments. NN's most significant exposure to morbidity risk is in its COLI business in Japan, healthcare insurance business in Greece and income protection and disability insurance business in the Netherlands sold within NN's non-life insurance business. In the case of the income protection and disability insurance business in the Netherlands, a weak economy and higher unemployment have increased the likelihood that those who are eligible to make a claim do so for longer than was assumed, which has resulted in much higher claims than was anticipated. Discrepancies between assumed mortality and morbidity and actual mortality and morbidity experience may have a material adverse effect on NN's results of operations and financial condition.

A failure to accurately estimate inflation and factor it into NN's product pricing, expenses and liability valuations could have a material adverse effect on NN's results of operations and financial condition.

A failure to accurately estimate inflation and factor it into NN's product pricing and liability valuations with regard to future claims and expenses could result in systemic mispricing of long-term life and non-life insurance products resulting in underwriting losses, and in restatements of insurance liabilities, which could have a material adverse effect on NN's results of operations and financial condition.

In the case of expenses, NN's most significant exposure to inflation risk is in its life insurance business in the Netherlands. With respect to claims, NN's most significant exposure to inflation risk is in its disability and accident insurance policies written by the non-life insurance business in the Netherlands, and health insurance policies written by the life insurance business in Greece.

A sustained increase in inflation may result in (a) claims inflation (which is an increase in the amount ultimately paid to settle claims several years after the policy coverage period or event giving rise to the claim) and expense inflation (which is an increase in the amount of expenses that are paid in the future), respectively, coupled with (b) an underestimation of corresponding reserves at the time of establishment due to a failure to fully anticipate increased inflation and its effect on the amounts ultimately payable, and, consequently, actual claims or expense payments that significantly exceed associated insurance reserves, which could have a material adverse effect on NN's results of operations and financial condition. An increase in inflation may also require NN to update its assumptions. Updates in assumptions within the life insurance business in the Netherlands would result in an immediate change in the present value of the claims or expenses, respectively, used to determine available regulatory capital in the Netherlands and would therefore have an immediate impact on available regulatory capital. Changes in assumptions could therefore have a material adverse effect on NN's results of operations and financial condition.

NN's primary distribution channel is its network of intermediaries, tied agents and bancassurance. A failure by NN to maintain a competitive distribution network, or to attain a market share of new sales and distribution channels that is comparative to its market share of traditional channels, could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

NN's primary distribution channel is its network of intermediaries (which includes independent agents and mandated brokers), tied agents and bancassurance through which it sells and distributes its products. The intermediaries and bancassurance parties through whom NN sells and distributes its products are independent of NN, with the exception of NN Bank. Moreover, NN does not have exclusivity agreements with intermediaries or with some of its bancassurance parties, so they are free to offer products from other insurance companies and there is no obligation to favour NN products. The successful distribution of NN products therefore depends in part on the choices an intermediary or bancassurance party may make as regards its preferred insurance company or companies, and as regards its preferred products and services.

A failure by NN to maintain a competitive distribution network, including participation in, or the development of, an internet-based platform to maintain its market share of new sales through this distribution channel compared to its market share of traditional channels, could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

NN's hedging programmes may prove inadequate or ineffective for the risks they address, which could have a material adverse effect on NN's business, results of operations, financial condition and prospects.

NN employs hedging programmes with the objective of mitigating risks inherent in its business and operations. These risks include current or future changes in the fair value of NN's assets and liabilities, current or future changes in cash flows, the effect of interest rates, equity markets and credit spread changes, the occurrence of credit defaults, and currency exchange fluctuations. As part of its risk management strategy, NN employs hedging programmes to control these risks by entering into derivative financial instruments, such as swaps, options, futures and forward contracts.

Developing an effective strategy for dealing with the risks described above is complex, and no strategy can completely protect NN from such risks. Each of NN's hedging programmes is based on financial market and customer behaviour models using, amongst others, statistics, observed historical market and customer behaviour, underlying fund performance, insurance policy terms and conditions, and NN's own judgement, expertise and experience. These models are complex and may not identify all exposures, may not accurately estimate the magnitude of identified exposures or may not accurately determine the effectiveness of the hedge instruments, or fail to update hedge positions quickly enough to effectively respond to market movements. Furthermore, the effectiveness of these models depends on information regarding markets, customers, fund values, NN's insurance portfolio and other matters, each of which may not always be accurate, complete, up to date or properly evaluated. Hedging programmes also involve transaction and other costs, and, if NN terminates a hedging arrangement, it may be required to pay additional costs, such as transaction fees or breakage costs. NN may incur losses on transactions after taking into account hedging strategies. Although NN has developed policies and procedures to identify, monitor and manage risks associated with these hedging programmes, the hedging programmes may not be effective in mitigating the risk that they are intended to hedge, particularly during periods of financial market volatility.

Furthermore, the derivative counterparty in a hedging transaction may default on its obligations. Although it is NN's policy to fully collateralise derivative contracts, and differences in market value of the collateral are settled between the relevant parties on a daily basis, it is still exposed to counterparty risk. For instance, NN is dependent on third parties for the daily calculation of the market values of the derivative collateral. If these third parties (mostly large institutions) miscalculate the collateral required and the counterparty fails to fulfil its obligations under the derivative contract, it could result in unexpected losses, which could have a material adverse effect on the business, revenues, results of operations and financial condition of NN. NN's inability to manage risks successfully through derivatives (including a single counterparty's default and the systemic risk that a default is transmitted from counterparty to counterparty) could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

NN is exposed to counterparty risk. Deteriorations in the financial soundness of other financial institutions, sovereigns or other contract counterparties may have a material adverse effect on NN's business, revenues, results of operations and financial condition.

Due to the nature of the global financial system, financial institutions, such as NN, are interdependent on other financial institutions as a result of trading, counterparty and other relationships. Other financial institutions with whom NN conducts business act as counterparties to NN in such capacities as issuers of securities, customers, banks, reinsurance companies, trading counterparties, counterparties under swaps and credit and other derivative contracts, clearing agents, exchanges, clearing houses, intermediaries, commercial banks, investment banks, mutual and hedge funds and other financial intermediaries. In any of these capacities, a financial institution acting as counterparty may not perform their obligations due to, among other things, bankruptcy, lack of liquidity, market downturns or operational failures, and the collateral or security they provide may prove inadequate to cover their obligations at the time of the default.

A default by any financial institution, or by a sovereign, could lead to additional defaults by other market participants. The failure of a sufficiently large and influential financial institution or sovereign has in the past disrupted, and could in the future disrupt, securities markets or clearance and settlement systems, and could lead to a chain of defaults because the commercial and financial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of one or more counterparties may lead to market-wide liquidity problems and losses or defaults by NN or by other institutions. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which NN interacts on a daily basis. Systemic risk could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

Reinsurance subjects NN to the credit risk of reinsurers, and reinsurance may not be available, affordable or adequate to meet NN's requirements, which may have a material adverse effect on NN's business, revenues, results of operations and financial condition.

NN purchases reinsurance under various agreements that cover defined blocks of business on a yearly renewable, per risk excess of loss or catastrophe excess of loss basis. These reinsurance agreements are designed to spread the risk and mitigate the effect of claims. The amount of the retained risk depends on an evaluation of the specific risk, which is subject, in certain circumstances, to maximum limits based on the characteristics of coverage. Under the terms of these reinsurance agreements, the reinsurer agrees to reimburse NN for the ceded amount in the event that NN has to pay out the ceded claim to a policyholder. A default by a reinsurer to which NN has material exposure could expose NN to significant (unexpected) losses and therefore have a material adverse effect on its business, revenue, results of operations and financial condition.

Market conditions beyond NN's control determine the availability and cost of reinsurance protection. Accordingly, NN may be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could adversely affect the profitability of NN's business and the availability of capital to write future business. In addition, NN determines the appropriate level of primary insurance and reinsurance coverage based on a number of factors and from time to time decides to reduce, eliminate or decline coverage based on its assessment of the costs and benefits involved. Any decreases in the amount of reinsurance coverage may increase NN's risk of loss. Any of these risks, should they materialise, may have a material adverse effect on NN's business, revenues, results of operations and financial condition.

The determination of the amount of impairments taken on NN's investment and other financial assets is subjective and could have a material adverse effect on NN's results of operations and financial condition.

Impairment evaluation of NN's investment and other financial assets is a complex process that involves significant judgements and uncertainties that may have a significant impact on NN's results of operations and financial condition.

All debt and equity securities (other than those carried at fair value through profit and loss) held by NN are subject to impairment testing every reporting period. The carrying value is reviewed in order to determine whether an impairment loss has been incurred. Evaluation for impairment includes both quantitative and qualitative considerations. For debt securities, such considerations include actual and estimated incurred credit losses indicated by payment default, market data on (estimated) incurred losses and other current evidence that the relevant issuer may be unlikely to pay amounts when due. Equity securities are impaired when management believes that, based on (the combination of) a significant or prolonged decline of the fair value below the acquisition price, there is sufficient reason to believe that the acquisition cost may not be recovered. Upon impairment, the full difference between the (acquisition) cost and fair value is removed from equity and recognised in net result.

The identification of impairment is an inherently uncertain process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, statistical loss data, discount rates and observable market prices. Estimates and assumptions are based on management's judgement and other available information. Significantly different results can occur as circumstances change and additional information becomes known.

NN's residential and commercial mortgage portfolio is exposed to the risk of default by borrowers and to declines in real estate prices; these exposures are concentrated in the Netherlands.

NN is exposed to the risk of default by borrowers under mortgage loans. Borrowers may default on their obligations due to bankruptcy, lack of liquidity, downturns in the economy generally or declines in real estate prices, operational failure, fraud or other reasons. The value of the secured property in respect of these mortgage loans is exposed to decreases in real estate prices, arising for instance from downturns in the economy generally, oversupply of properties in the market, and changes in tax regulations related to housing (such as the decrease in deductibility of interest on mortgage payments). Furthermore, the value of the secured property in respect of these mortgage loans is exposed to destruction and damage resulting from floods and other natural and man-made disasters. Damage or destruction of the secured property also increases the risk of default by the borrower. For NN, all of these exposures are concentrated in the Netherlands because the mortgage loans have been advanced, and are secured by commercial and residential property, in the Netherlands. As of the date of this Prospectus, almost all of the aggregate principal amount of mortgage loans advanced in the Netherlands is secured by residential property, and a negligible amount by commercial property. An increase of defaults, or the likelihood of defaults, under the mortgage loans, or a decline in property prices in the Netherlands, has had, and could have, a material adverse effect on NN's results of operations and financial condition.

NN is exposed to the risk of damage to its brands and its reputation.

NN's business and results of operations are, to a certain extent, dependent on the strength of its brands and NN's reputation. NN and its products are vulnerable to adverse market perception as it operates in an industry where integrity, customer trust and confidence are paramount. NN is exposed to the risk that litigation (such as in connection with mis-selling), employee fraud and other misconduct, operational failures, the negative outcome of regulatory investigations, press speculation and negative publicity, amongst others, whether or not founded, could damage its brands or reputation. Any of NN's brands or reputation could also be harmed if products or services recommended by NN (or any of its intermediaries) do not perform as expected or do not otherwise meet customer expectations (whether or not the expectations are founded), or the customer's expectations for the product change.

Negative publicity could be based, for instance, on allegations that NN failed to comply with regulatory requirements or result from failures in business continuity or the performance of NN's information technology ("IT") systems, loss of customer data or confidential information, unsatisfactory service (support) levels, or insufficient transparency or disclosure of cost allocation (cost loading). Negative publicity adversely affecting NN's brands or its reputation could also result from any misconduct or malpractice by intermediaries, business promoters or other third parties linked to NN (such as strategic partners). Furthermore, negative publicity, and damage to NN's brands or reputation, could result from allegations that NN has invested in, or otherwise done business with, entities and individuals that are, or which become, subject to political or economic sanctions or are blacklisted, or which do not meet environmental and social responsibility standards.

Any damage to NN's brands or reputation could cause existing customers or intermediaries to withdraw their business from NN and potential customers or intermediaries to be reluctant or elect not to do business with NN. Furthermore, negative publicity could result in greater regulatory scrutiny and influence market or rating agencies' perception of NN, which could make it more difficult for NN to maintain its credit ratings, which is an important factor for both intermediaries and customers when considering what insurance company to do business with. Any damage to NN's brands or reputation could cause disproportionate damage to NN's business, even if the negative publicity is factually inaccurate or unfounded.

Prolonged investment underperformance of NN's AuM, or the loss of key investment management personnel, may cause existing customers to withdraw funds and potential customers not to grant investment mandates, which could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

When buying investment products or selecting an investment manager, customers (including pension funds and intermediaries) typically consider, among others, the historic investment performance of the product and the individual who is responsible for managing the particular fund. This is also true in relation to certain investment products sold by NN's life insurance and pension business. In the event that NN does not provide satisfactory or appropriate investment returns now or in the future, underperforms in relation to its competitors or does not sell an investment product which a customer requires or is deemed suitable, existing customers (including pension funds) may decide to reduce or liquidate their investment, negotiate alterations of their existing agreements with NN, or transfer their mandates to another investment manager. Each of these results may also occur if NN were to lose key investment management personnel, or an entire fund management team, as this may impair customer confidence levels in the particular fund or asset class. In addition, potential customers may decide not to grant investment mandates. As the portfolio management fees charged by NN to its customers are based largely on the value of AuM, a prolonged period of investment underperformance, or a decline in AuM for the other reasons noted above, could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

Previously unknown risks, so-called "emerging risks", which cannot be reliably assessed, could lead to unforeseeable claims, which could have a material adverse effect on NN's business, results of operations and financial condition.

The term "emerging risks" is used in the insurance industry to refer to previously unknown risks that could cause substantial future losses and, therefore, are of major concern to insurance companies. Even more so than traditional risks, emerging risks are difficult to analyse because they often exist as hidden risks. Insurance premiums for emerging risks are difficult to calculate due to a lack of historical data about, or experience with, such risks or their consequences. At present, the consequences of potential worldwide climate change are considered emerging risks. There is a wide scientific consensus, and a growing public conviction, that globally increasing emissions of greenhouse gases, especially carbon dioxide, are causing an increase in average worldwide surface temperatures. This increase in average temperatures could increase the frequency of hurricanes, floods, droughts and forest fires, and could cause sea levels to rise due to the melting of the polar ice caps. Other examples of emerging risks are demographic changes (such as the aging of the population), epidemics and pandemics, and risks that may arise from the development of nanotechnology and genetic engineering.

Despite its efforts at early identification and continuous monitoring of emerging risks, NN cannot give any assurance that it has been or will be able to identify all emerging risks and to implement pricing and reserving measures to avoid or minimise claims exposure to them. Defects and inadequacies in the identification and response to emerging risks could lead to unforeseen policy claims and benefits and could have a material adverse effect on NN's business, results of operations, financial condition and prospects.

Regulatory and Litigation Risks

NN is subject to comprehensive insurance, investment management, banking, pension and other financial services laws and regulations, and to supervision by many regulatory authorities that have broad administrative powers over NN. These laws and regulations have been and will be subject to changes, the impact of which is uncertain. Failure to comply with applicable laws and regulations may trigger regulatory intervention which may harm NN's reputation, and could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

NN is subject to comprehensive insurance, investment management, banking, pension and other financial services laws and regulations, and to supervision by many regulatory authorities that have broad administrative and discretionary power over NN. Amongst others, the laws and regulations to which NN is subject concern: capital adequacy requirements; liquidity requirements; permitted investments; the distribution of dividends, product and sales suitability; product distribution; payment processing; employment practices; remuneration; ethical standards; anti-money laundering; anti-terrorism measures; prohibited transactions with countries and individuals that are subject to sanctions or otherwise blacklisted; anti-corruption; privacy and confidentiality; recordkeeping and financial reporting; price controls, and exchange controls.

The laws and regulations to which NN is subject are becoming increasingly more extensive and complex and regulators are focusing increased scrutiny on the industries in which NN operates, and on NN itself, placing an increasing burden on NN's resources and expertise, and requiring implementation and monitoring measures that are costly. In some cases, the laws and regulations to which NN is subject have increased because governments are increasingly enacting laws that have an extra-territorial scope. Regulations to which NN is, and may be, subject may limit NN's activities, including through its net capital, customer protection and market conduct requirements, may negatively impact NN's ability to make autonomous decisions in relation to its businesses and may limit the information to which NN has access in relation to those businesses, and result in restrictions on businesses in which NN can operate or invest, each of which may have a material adverse effect on NN's business, results of operations and prospects. As compliance with applicable laws and regulations is time-consuming and personnel-intensive, and changes in laws and regulations have increased, and may further increase, the cost of compliance has increased and is expected to continue to increase.

Laws, regulations and policies currently governing NN have changed, and may continue to change in ways which have had and may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects. NN cannot predict whether or when future legislative or regulatory actions may be taken, or what impact, if any, actions taken to date or in the future could have.

Financial regulation in the Member States in which NN operates is mainly based on EU directives. However, differences may occur in the regulations of various Member States, and such differences between the regulations of Member States may place NN's business at a competitive disadvantage in comparison to other European financial services groups.

Despite NN's efforts to maintain effective compliance procedures and to comply with applicable laws and regulations, these compliance procedures may be inadequate or otherwise ineffective, including as a result of human or other operational errors in their implementation, and NN might fail to meet applicable standards. NN may also fail to comply with applicable laws and regulations as a result of unclear regulations, regulations being subject to multiple interpretations or being under development, or as a result of a shift in the interpretation or application of laws and regulations (including EU Directives) by regulators. Failure to comply with any applicable laws and regulations could subject NN to administrative penalties and other enforcement measures imposed by a particular governmental or self-regulatory authority, and could lead to unanticipated costs associated with remedying such failures (including claims from NN customers) and adverse publicity, harm NN's reputation, cause temporary interruption of operations and cause revocation or temporary suspension of the licence. Each of these risks, should they materialise, could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

The impact on NN of recent and ongoing financial regulatory reform initiatives is uncertain.
Financial regulatory reform initiatives could have adverse consequences for the financial services industry generally, including NN. Recent and ongoing regulatory reform initiatives include, amongst others:

- ***Solvency II***. The EU is adopting a full scale revision of the solvency framework and prudential regime applicable to insurance and reinsurance companies known as "Solvency II". See further "The EU is adopting a full scale revision of the solvency framework and prudential regime applicable to insurance and reinsurance companies known as "Solvency II". The EC is currently in the process of preparing implementing technical standards.".

- ***Theoretical Solvency Criterion regulation in the Netherlands (also known as "Solvency 1.5")***. In anticipation of the more risk-based approach under Solvency II, the Dutch legislator has, *inter alia*, subjected Dutch life insurance companies to the TSC (also known as "Solvency 1.5"), which reflects a minimum solvency margin required in certain stress scenarios. If the solvency position of the relevant NN life insurance entity would be below the TSC, a declaration of no objection from DNB would be required before making any distributions of capital (including dividends) and reserves to the Issuer and DNB would also be entitled to require that the relevant entity submit a recovery plan. In determining whether to give the approval to permit distributions, DNB should be satisfied that the life insurance company will have sufficient available regulatory capital for at least the following 12 months. However, following the publication by the Dutch Minister of Finance in March 2014 of a legislative proposal, the TSC was consequently removed as of 1 January 2015, in anticipation of Solvency II. The reason for the removal of the TSC is that for the distribution of dividends an insurance company must look forward 12 months. As such, from 1 January 2015, an insurance company will have to assess whether or not it will comply with the Solvency II requirements, which are currently expected to apply from 1 January 2016.

- ***Dutch Intervention Act***. In June 2012, the Dutch Intervention Act (*Wet bijzondere maatregelen financiële ondernemingen*) came into force in the Netherlands, with retroactive effect from 20 January 2012. The Dutch Intervention Act grants far-reaching new powers to DNB and the Dutch Minister of Finance to intervene in situations where an institution, including a financial group such as NN, faces financial difficulties or where there is a serious and immediate risk to the stability of the Dutch financial system caused by an institution in difficulty. Under the Dutch Intervention Act, substantial new powers have been granted to DNB and the Dutch Minister of Finance enabling them to deal with ailing Dutch banks and insurance companies prior to insolvency. The measures allow them to commence proceedings which may lead to (a) the transfer of all or part of the business (including, in the case of a bank, deposits) of an ailing bank or insurance company to a private sector purchaser, (b) the transfer of all or part of the business of an ailing bank or insurance company to a "bridge entity", (c) the transfer of the shares in an ailing bank or insurance company to a private sector purchaser or a "bridge entity", (d) immediate interventions by the Dutch Minister of Finance concerning an ailing bank or insurance company, and (e) public ownership (nationalisation) of (i) all or part of the business of an ailing bank or insurance company or (ii) all or part of the shares or other securities issued by an ailing bank or insurance company or its holding company. The Dutch Intervention Act also contains measures that limit the ability of counterparties to invoke contractual rights (such as contractual rights to terminate or to invoke a right of set-off or to require security to be posted) if the right to exercise such rights is triggered by intervention of DNB or the Dutch Minister of Finance based on the Dutch Intervention Act or by a circumstance which is the consequence of such intervention. There is a risk that the exercise of powers by DNB or the Dutch Minister of Finance under the Dutch Intervention Act could have a material adverse effect on the performance by the failing institution, including the Issuer, of its payment and other obligations under debt securities, including the Notes, or result in the expropriation, write-off, write-down or conversion of securities such as shares and debt obligations issued by the failing institution or its parent, including the Issuer. The Dutch Intervention Act will need to be amended as a result of the entry into force of the EU Directive on the recovery and resolution of credit institutions and investments firms, which was approved by the European Parliament on 15 April 2014 and of which the final text was published on 12 June 2014 (the "Recovery and Resolution Directive"). The majority of the implementing provisions relate to investment firms (and to a lesser extent credit institutions) whilst no material amendments are expected in respect of the intervention powers regarding insurance companies.

- ***Insurance guarantee schemes***. Certain jurisdictions in which NN's insurance subsidiaries operate require that life insurers doing business within the jurisdiction participate in guarantee associations, which raise funds to pay contractual benefits owed pursuant to insurance policies issued by impaired, insolvent or failed insurers. The occurrence of such a guarantee event may give rise to an obligation on the relevant insurance subsidiary to pay significant amounts under the guarantee. Insurance guarantee schemes may also oblige insurers to make annual payments to the guarantee association. An insurance guarantee scheme has been in place in Japan since 1999, and NN is obliged to make annual contributions to the guarantee scheme. The EC has been discussing EU-wide insurance guarantee schemes for several years and intends to introduce an EU directive on insurance guarantee schemes. As at the date of this Prospectus, no proposals for this directive have yet been published. Any introduction of insurance guarantee schemes to which NN is subject may impact NN's results of operations.

- ***Remuneration***. As from 2011, credit institutions and investment firms based in European Member States have to comply with the variable pay constraints following from CRD III. These CRD III rules have been revised and as from 2014, credit institutions and investment firms based in Member States have to comply with the variable pay constraints following from CRD IV, including a bonus cap of 100 per cent. of fixed pay (or 200 per cent. if shareholders approve) for identified staff. These variable pay constraints are applicable to all operations of credit institutions and investment firms based in Member States (including their operations outside the EU). These variable pay constraints following from CRD IV have been implemented in Dutch law on 1 August 2014, whereby the scope of the variable pay constraints has been extended to include Dutch-based insurance companies and their group companies, except for the CRD IV bonus cap. As a result, the variable pay constraints apply directly (i) to the bank and investment management activities of NN and (ii) except for the CRD IV bonus cap, to the insurance activities of NN and the Issuer. Accordingly, unlike its competitors in the U.S., Asia and other European countries, NN has to apply these variable pay constraints to staff in its European, U.S. and Asian operations. These pay constraints may limit NN's ability to attract and retain talented staff. The CRD IV bonus cap will apply until 1 January 2016. CRD IV allows Member States to introduce a more restrictive bonus cap. On 7 February 2015, the Act on Remuneration Policies in Financial Enterprises (*Wet beloningsbeleid financiële ondernemingen*) ("ARPFE") entered into force which is also applicable to Dutch-based insurance companies. The ARPFE introduces a cap for variable remuneration of 20 per cent. of fixed remuneration for all staff in the Netherlands. In the ARPFE, the following exceptions to the 20 per cent. cap are included: (i) for staff in the Netherlands who are not exclusively covered by a collective labour agreement, the 20 per cent. cap does not apply on an individual basis, but it applies to the average variable remuneration of such staff; (ii) for staff that work predominantly outside of the Netherlands, but within the EU, there is an individual variable remuneration cap of 100 per cent. of fixed remuneration; (iii) for staff that work predominantly outside the EU, an individual variable remuneration cap of 200 per cent. of fixed remuneration applies, subject to shareholder approval and notification to the regulator; and (iv) the 20 per cent. cap does not apply to legal entities whose regular business is managing one or more collective investment undertakings which are subject to AIFMD or UCITS. In addition, the ARPFE also covers a number of other topics, such as strict conditions on severance pay, prohibition on guaranteed bonuses and claw-back of variable remuneration and severance pay. Although exceptions to the 20 per cent. cap are available, these new pay constraints may limit NN's ability to attract and retain talented staff.

- ***SIFIs***. As a result of the financial crisis, international and domestic regulators have moved to protect the global financial system by adopting regulations intended to prevent the failure of systemically important financial institutions ("SIFIs") or, if one does fail, limiting the adverse effects of its failure. In November 2011, the Financial Stability Board published a list of global systemically important financial institutions ("G-SIFIs"). Subsequently, in July 2013, the Financial Stability Board designated nine global insurance companies as global systemically important insurers ("G-SIIs"). As a result, these firms will be subject to enhanced supervision and increased regulatory requirements in the areas of recovery and resolution planning as well as capital. The implementation deadlines for these requirements start as early as July 2014 and, in the case of additional capital requirements, extend to 2019. The list of G-SIIs is expected to be updated annually and published in November every year, starting from November 2014. Although NN does not expect to be designated a G-SIFI or a G-SII, it cannot be ruled out that this or similar supervision and regulation will apply to NN in the future.

- ***ComFrame***. On 2 July 2012, the International Association of Insurance Supervisors ("IAIS") released a working draft on the ComFrame "Insurance core principles". "ComFrame", short for "Common Framework for the Supervision of Internationally Active Insurance Groups" ("IAIGs"), has three main objectives: (a) to develop methods of operating group-wide supervision of IAIGs; (b) to establish a comprehensive framework for supervisors to address group-wide activities and risks, and (c) to foster global convergence. The working draft was criticised by supervisors and industry participants for being too detailed and too prescriptive. The IAIS opened ComFrame up for a second round of consultation at the end of 2013.

  A revised draft ComFrame proposal was published in September 2014. On 17 December 2014, the IAIS commenced a public consultation on the development of a risk-based global insurance capital standard ("ICS"), which followed the announcement of the ICS as a component of ComFrame for IAIGs in October 2013. The deadline for responses to the consultation is 16 February 2015. It is anticipated that in December 2015, a revised draft of ComFrame (including the ICS), will be issued for public consultation, with a further round of consultation by the end of 2017. The IAIS is currently scheduled to formally adopt ComFrame, including the final ICS, at the end of 2018, with its members to begin implementing ComFrame in early 2019. As the content of ComFrame is not expected to be finalised until 2018 , its future impact on NN is uncertain.

- ***Financial Transaction Tax***. In February 2013, the EC published a proposed directive for a common financial transaction tax ("FTT") to be implemented in 11 participating Member States, being Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain, which would together constitute the "FTT-Zone". As at the date of this Prospectus, it has not been proposed that the Netherlands become a participating Member State. Under the proposed directive, the FTT would have a broad scope and could, *inter alia*, levy a tax on transactions in financial instruments by financial institutions if at least one of the parties to the transaction is located in the "FTT-Zone". The proposed directive has been subject to public and media scrutiny, several rounds of negotiation by the 11 participating Member States, and the legality of certain aspects of the proposal has been questioned. Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016. However, full details are not yet available. As of the date of this Prospectus, it is unclear when the FTT will come into force, if at all, and unclear what the content of the FTT would be. As it is not currently contemplated that the Netherlands would be a participating Member State, and thus part of the FTT-Zone, it is expected that, even if the FTT were to come into force, its impact on NN's results of operations would be relatively limited (although FTT would have a material impact on the operations of NN's investment management business, which operates throughout Europe, including those countries that are within the contemplated FTT-Zone). However, the impact of the FTT on NN's results of operations could be significantly greater if the Netherlands were to become a participating Member State.

- ***FATCA***. Under the provisions of the U.S. Internal Revenue Code of 1986 commonly referred to as the Foreign Account Tax Compliance Act ("FATCA"), a 30 per cent. withholding tax will be imposed on "passthru payments" made to certain non-U.S. financial institutions that fail to provide certain information regarding their U.S. accountholders and certain U.S. investors to the U.S. Internal Revenue Service ("IRS"). Some countries (including the Netherlands) have entered into, and other countries are expected to enter into, intergovernmental agreements ("IGAs") with the U.S. to facilitate the type of information reporting required under FATCA. IGAs will often require financial institutions in those countries to report some information on their U.S. accountholders to the taxing authorities of those countries, which will then pass the information on to the IRS.

  NN is a financial institution for purposes of FATCA and the intergovernmental agreement between the U.S. and the Netherlands (the "U.S.-Netherlands IGA"). NN intends to take all necessary steps to comply with FATCA and any legislation implementing an IGA or, if and to the extent necessary, enter into an agreement with the IRS to facilitate compliance with FATCA. However, if NN cannot comply with FATCA or any legislation implementing an IGA (including as a result of local laws in non-IGA countries prohibiting information-sharing with the IRS, as a result of contracts or local laws prohibiting withholding on certain payments to accountholders, policyholders, annuity holders or investors, or as a result of the failure of accountholders, policyholders, annuity holders or investors to provide requested information), certain payments made to NN may be subject to withholding under FATCA (including payments to investment vehicles under NN's management). The possibility of such withholding and the need for accountholders, policyholders, annuity holders and investors to provide certain information may adversely affect the sales of certain of NN's products. In addition, compliance with the terms of an IGA and with FATCA, any regulations or other guidance promulgated thereunder or any legislation promulgated under an IGA may substantially increase NN's compliance and operational costs. Because legislation and regulations implementing FATCA and the regulations implementing IGAs remain under development, the future impact of FATCA on NN is uncertain.

- ***Revision of Insurance Mediation Directive***. On 3 July 2012, the European Commission published proposals for a revision of the Insurance Mediation Directive ("IMD2"). Key proposals are, among others, mandatory disclosure requirements obliging insurance intermediaries to disclose to their customers the nature and amount of remuneration they receive, including any contingent commissions, or, if the full amount of remuneration cannot be calculated, the basis of its calculation. According to the proposals, mandatory prior disclosure to customers will be required with respect to the amount of commission retained by the intermediary or paid by the insurer. Further, IMD2 will extend the scope of the current Insurance Mediation Directive to cover direct sales by insurance and reinsurance companies without the use of an intermediary. Insurers carrying out direct sales will be required to comply with information and disclosure requirements and certain conduct of business rules, including a general obligation to act honestly, fairly and professionally in accordance with customers' best interests. In the case of the sale of bundled products, for instance, the insurance company will have to inform customers about the possibility to purchase the components of the package separately and about the costs of each component when purchased separately. In addition, the IMD2 proposals set out stricter requirements for the sale of life insurance investment products, for example, the obligation to identify and disclose conflicts of interest or to gather information from customers to assess the appropriateness of the product. If the proposed revisions to the Insurance Mediation Directive are adopted, these changes are likely to have a significant effect on the European insurance market. In particular, the IMD2 proposals are likely to increase NN's compliance obligations regarding direct sales, increasing compliance costs and the complexity of NN's direct sales procedures. The IMD2 proposals are also likely to affect the relationship between NN and its intermediaries in the context of selling insurance products. On 5 November 2014, the Permanent Representatives Committee agreed, on behalf of the Council of the European Union, its general approach on IMD2. This will enable negotiations with the European Parliament to start, with the aim of adopting IMD2 at first reading.

- ***CRD IV***. Since the financial crisis, financial institutions, including credit institutions such as NN Bank, have been subject to increased public and regulatory scrutiny, and new laws and regulations have been enacted. These new laws and regulations include the Basel framework. The latest changes in the Basel framework were translated into CRD IV and the EU Capital Requirement Regulation, which have been implemented into the Dutch Financial Supervision Act as of 1 August 2014. The EU Capital Requirement Regulation has been directly applicable since 1 January 2014, and has resulted in more stringent rules and, in comparison with the former Dutch framework, additional reporting requirements, in relation to solvency supervision and liquidity supervision. The Basel Committee and the Financial Stability Board are currently considering measures that may have the effect of requiring higher absorbency capacity, liquidity surcharges, exposure limits and special resolutions regimes for systematically important banks.

- ***MIFID reform***. On 20 October 2011, the EC published proposals for the revision of the Markets in Financial Instruments Directive (Directive 2004/39/EC, "MiFID") and on 12 June 2014 final texts were published. The new rules consist of a directive "MiFID II" and a regulation "MiFIR". The revised MiFID, *inter alia*, sets stricter requirements for portfolio management, investment advice and the offer of complex financial products such as structured products, and will be particularly relevant for NN's investment management business. The final texts of these new rules have been published on 12 June 2014. Member States shall adopt and publish, by 3 July 2016, the laws, regulations and administrative provisions necessary to comply with this Directive. The Regulation applies directly from 3 January 2017.

- ***International sanctions***. In various jurisdictions in which NN does business, it is subject to laws, regulations and other measures concerning transactions in certain countries and regions, and with certain individuals, that may result in the imposition of significant penalties and reputational harm should NN not fully comply with them. These legislative, regulatory and other measures include anti-terrorism measures, international sanctions, blockades, embargoes, blacklists and boycotts imposed by, amongst others, the EU, the United States and the United Kingdom. The scope and content of, and penalties that may result from, these legislative, regulatory and other measures have in the past, and may in the future, change, with limited or no forewarning and with retroactive effect. Moreover, these legislative, regulatory and other measures may lead to conflicting duties and prohibitions, making it difficult or even impossible for NN to comply, for instance as compliance with a duty under one such law may constitute a breach of a prohibition under another. These measures may also adversely affect NN's ability or appetite to do business in certain jurisdictions and regions and with respect to certain types of customers and products.
- ***EMIR***. The European Market Infrastructure Regulation 648/2012 ("EMIR") entered into force in all the Member States on 16 August 2012. EMIR aims to increase stability in European over-the-counter ("OTC") derivatives markets and includes measures to require the clearing of certain OTC derivatives contracts through central clearing counterparties and to increase the transparency of OTC derivatives transactions. In connection with EMIR, various regulatory and implementing technical standards have now come into force, but certain critical technical standards have not yet been finalised or come into force, including those addressing which classes of OTC derivative contracts will be subject to the clearing obligation and the scope of collateralisation obligations in respect of OTC derivative contracts which are not cleared. Prospective investors should be aware that the regulatory changes arising from EMIR may in due course significantly increase the cost for NN of entering into and/or maintaining derivative contracts and may adversely affect its ability to engage in and/or maintain derivative contracts. for instance to hedge NN's open financial market positions.

The continuing introduction of new regulations, if applicable to NN, could significantly impact the manner in which it operates and could materially and adversely impact the profitability of one or more of NN's business lines or the level of capital required to support its activities. New laws may include the expropriation or nationalisation of assets of NN or its customers (as has occurred in connection with the pension regime reform in Poland). Although the full impact of the regulations described above cannot be determined, including as a result of discretions granted to regulators, uncertainties as to the interpretation and implementation of the regulations by regulators and governmental bodies and, in the case of regulations that have not yet been finalised, until the content of the regulations themselves has become clear, many of their requirements could have material and adverse consequences for the financial services industry, including for NN. These regulations could make it more expensive for NN to conduct its business, require that NN make changes to its business model, require that NN satisfy increased capital requirements, necessitate time-consuming and costly implementation measures, or subject NN to greater regulatory scrutiny, which could, individually or in the aggregate, have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

The EU is adopting a full scale revision of the solvency framework and prudential regime applicable to insurance and reinsurance companies known as "Solvency II". The EC is currently in the process of preparing implementing technical standards.

The EU is adopting a full scale revision of the solvency framework and prudential regime applicable to insurance, reinsurance companies and insurance groups known as "Solvency II". The framework for Solvency II is set out in the Solvency II Directive, which was adopted by the European Council on 10 November 2009 (Directive 2009/138/EC). The Solvency II Directive is scheduled to come into force on 1 January 2016.

On 19 January 2011, the European Commission (the "EC") presented a draft of a directive to amend the Solvency II Directive, the Omnibus II directive. On 13 November 2013, the EU Council and the European Parliament achieved a provisional political agreement on the Omnibus II Directive. This agreement was confirmed by the European Parliament on 12 March 2014 and was approved by the European Council on 14 April 2014.

Solvency II is aimed at creating a new solvency framework in which the financial requirements that apply to an insurance, reinsurance company and insurance group better reflect such company's specific risk profile. Solvency II will introduce economic risk-based solvency requirements across all Member States for the first time. While Solvency I includes a relatively simple solvency formula based on technical provisions and insurance premiums, Solvency II introduces a new "total balance sheet" type regime where insurers' material risks and their interactions are considered. In addition to these quantitative requirements (Pillar 1), Solvency II also sets requirements for governance, risk management and effective supervision (Pillar 2), and disclosure and transparency requirements (Pillar 3).

Under Pillar 1 of Solvency II, insurers are required to hold own funds equal to or in excess of a solvency capital requirement ("SCR"). Solvency II will categorise own funds into three tiers with differing qualifications as eligible available regulatory capital. Under Solvency II, own funds will use IFRS balance sheet items where these are at fair value and replace other balance sheet items using market consistent valuations. The determination of the technical provisions and the discount rate to be applied in determining the technical provisions is still under debate and the outcome of discussions regarding these matters is uncertain as key parameters will only be established in the implementing technical standards. However, it is certain that the determination of the technical provisions and the discount rate to be applied will have a material impact on the amount of own funds and the volatility of the level of own funds. The SCR is a risk-based capital requirement which will be determined using either the standard formula (set out in level 2 implementing measures), or, where approved by the relevant supervisory authority, an internal model. The internal model can be used in combination with, or as an alternative to, the standard formula as a basis for the calculation of an insurer's SCR. In the Netherlands, such a model (which would include an internal model of NN) must be approved by DNB.

With the approval of the Omnibus II Directive, the definitive text of the framework directive is available. On 10 October 2014, the EC adopted a Delegated Act containing implementing rules for Solvency II. This Delegated Act entered into force on 17 January 2015. However, it is not certain what the final form of the implementing technical standards will contain. Given previous changes to the effective date of Solvency II and the possibility of further changes to the regime. Accordingly, the future effect of Solvency II on NN's business, solvency margins and capital requirements is uncertain.

While the aim of Solvency II is to introduce a harmonised, risk-based approach to solvency capital, there is a risk of differences in interpretation and a risk of a failure by financial services regulators to align Solvency II approaches across Europe, resulting in an unequal competitive landscape. This risk may be exacerbated by discretionary powers afforded to financial services regulators in Member States.

Should NN not be able to adequately comply with the Solvency II requirements in relation to capital, risk management, documentation and reporting processes, this could have a material adverse effect on its business, solvency, results of operations and financial condition.

NN is subject to stress tests and other regulatory enquiries. Stress tests and the announcement of the results by regulatory authorities can destabilise the insurance sector and lead to a loss of trust with regard to individual companies or the insurance sector as a whole. Such stress tests, and the announcement of the results, could negatively impact NN's reputation and financing costs and trigger enforcement actions by regulatory authorities.

In order to assess the level of available capital in the insurance sector, the national and supra-national regulatory authorities (such as EIOPA) require solvency calculations and conduct stress tests where they examine the effects of various adverse scenarios on insurers. Announcements by regulatory authorities that they intend to carry out such tests can destabilise the insurance sector and lead to a loss of trust with regard to individual companies or the insurance sector as a whole. In the event that NN's results in such a calculation or test are worse than those of its competitors and these results become known, this could also have adverse effects on NN's financing costs, customer demand for NN's products and NN's reputation. Furthermore, a poor result by NN in such calculations or tests could influence regulatory authorities in the exercise of their discretionary powers.

Adverse publicity, claims and allegations, litigation and regulatory investigations and sanctions may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

NN is subject to litigation, arbitration and other claims and allegations, including in connection with its activities as insurer, lender, employer, investor and taxpayer. The occurrence of such events could result in adverse publicity and reputational harm, lead to increased regulatory supervision, affect NN's ability to attract and retain customers and maintain its access to the capital markets, result in cease-and-desist orders, claims, enforcement actions, fines and civil and criminal penalties, other disciplinary action, or have other material adverse effects on NN in ways that are not predictable. Some claims and allegations may be brought by or on behalf of a class (a collective action), and claimants may seek large or indeterminate amounts of damages, including compensatory, liquidated, treble and punitive damages. In this respect, it should be noted that while the nature and application of a collective action may differ depending on jurisdiction, a collective action initiated in the Netherlands has as a main characteristic that a plaintiff cannot claim damages on behalf of a class of disadvantaged parties. Instead, Dutch law entitles claims organisations to demand other relief, most importantly, a declaration of law that a certain action was unlawful. Such declaration can then form the basis for an award for damages in individual cases. A declaration of law may serve as a basis for negotiations between the defendant against which the declaration of law has been awarded and claims organisations representing disadvantaged parties, to come to a collective monetary settlement which can subsequently be declared binding by the Court of Appeal in Amsterdam and applied to the entire class of disadvantaged parties. NN's reserves for litigation liabilities may prove to be inadequate. Claims and allegations, should they become public, need not be well founded, true or successful to have a negative impact on NN's reputation. In addition, press reports and other public statements that assert some form of wrongdoing on the part of NN or other large and well-known companies (including as result of financial reporting irregularities) could result in adverse publicity and in inquiries or investigations by regulators, legislators and law enforcement officials, and responding to these inquiries and investigations, regardless of their ultimate outcome, is time-consuming and expensive. It should be noted that in the Netherlands, a preliminary draft bill was published for consultation on 7 July 2014 which aims to enhance the efficient and effective redress of mass damages claims.

Adverse publicity, claims and allegations (whether on an individual or collective basis), litigation and regulatory investigations and sanctions may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects in any given period.

Holders of NN's products where the customer bears all or part of the investment risk, or consumer protection organisations on their behalf, have filed claims or proceedings against NN and may continue to do so. A negative outcome of such claims and proceedings brought by customers or organisations acting on their

behalf, actions taken by regulators or governmental authorities against NN or other insurers in respect of unit-linked products, settlements or any other actions for the benefit of customers by other insurers and sector-wide measures could substantially affect NN's insurance business and, as a result, may have a material adverse effect on NN's business, reputation, revenues, results of operations, solvency, financial condition and prospects. In addition, claims and proceedings may be brought against NN in respect of other products with one or more similar product characteristics sold, issued or advised on by NN in and outside the Netherlands.

Since the end of 2006, unit-linked products (commonly referred to in Dutch as "*beleggingsverzekeringen*") have received negative attention in the Dutch media, from the Dutch Parliament, the AFM and consumer protection organisations. Costs of unit-linked products sold in the past are perceived as too high and Dutch insurers are in general being accused of being less transparent in their offering of such unit-linked products. The criticism on unit-linked products led to the introduction of compensation schemes by Dutch insurance companies that have offered unit-linked products. In 2008, NN's Dutch insurance subsidiaries reached an outline agreement with two main consumer protection organisations to offer compensation to their unit-linked policyholders where individual unit-linked policies had a cost charge in excess of an agreed maximum and to offer similar compensation for certain hybrid insurance products. At 31 December 2008, costs of the settlements were valued at EUR 365 million for which adequate provisions have been established and of which a substantial portion has been paid out. The remaining unpaid part of the provision as per 31 December 2013 is solely available to cover costs relating to the settlements agreed in 2008. A full agreement on implementation was reached in 2010 with one of the two main consumer protection organisations, with the second main consumer protection organisation signing its agreement in June 2012. In addition, NN's Dutch insurance subsidiaries announced additional measures (*flankerend beleid*) that comply with the "Best in Class" criteria as formulated on 24 November 2011 by the Dutch Minister of Finance. In December 2011, this resulted in an additional agreement on these measures with the two main consumer protection organisations. In 2012, almost all unit-linked policyholders were informed about the compensation. The agreements with the two consumer protection organisations are not binding on policyholders. Consequently, neither the implementation of the compensation schemes nor the additional measures offered by NN prevent individual policyholders from initiating legal proceedings against NN's Dutch insurance subsidiaries and making claims for damages.

NN's Dutch insurance subsidiaries have issued, sold or advised on approximately one million individual unit-linked policies. As noted above, there has been for some time and there continues to be political, regulatory and public attention focused on the unit-linked issue in general. Elements of unit-linked policies are being challenged or may be challenged on multiple legal grounds in current and future legal proceedings and there is a risk that one or more of these legal challenges will succeed. Customers of NN's Dutch insurance subsidiaries have claimed, among others, that (a) the investment risk, costs charged or the risk premium was not, or not sufficiently, made clear to the customer, (b) the product costs charged on initial sale and on an ongoing basis were so high that the expected return on investment was not realistically achievable, (c) the product sold to the customer contained specific risks that were not, or not sufficiently, made clear to the customer (such as the leverage capital consumption risk) or was not suited to the customer's personal circumstances, (d) NN owed the customer a duty of care which NN has breached, or (e) the insurer failed to warn of the risk of not realising the projected policy values. These claims may be based on general standards of contract or securities law, such as reasonableness and fairness, error, duty of care, or standards for proper customer treatment or due diligence and may be made by customers, or on behalf of customers, holding active policies or whose policies have lapsed, matured or been surrendered. NN is currently subject to legal proceedings initiated by individual policyholders and is subject of a number of claims initiatives brought on behalf of policyholders by consumer protection organisations in which claims as set forth above or similar claims are being made. While, to date, less than 100 complaints are pending before the Dispute Committee of the Financial Services Complaints Board (the "KiFiD"), and less than 300 individual settlements were made, there is no assurance that further proceedings for damages will not be brought. As the current proceedings are only in early stages, the timing of reaching any finality on these legal claims and proceedings is uncertain and such uncertainty is likely to continue for some time. As a result, although the financial consequences of any of these factors or a combination thereof could be substantial for the Dutch insurance business of NN and, as a result, may have a material adverse effect on NN's reputation, revenues, results of operations, solvency, financial condition and prospects, it is not possible to reliably estimate or quantify NN's exposures at this time.

Rulings or announcements made by courts, including the European Court of Justice and advisory opinions issued by the Attorney General to such Court on questions being considered by such Court, or decision-making bodies or actions taken by regulators or governmental authorities against NN or other Dutch insurance companies in respect of unit-linked products, or settlements or any other actions to the benefit of customers (including product improvements or repairs) by other Dutch insurance companies towards consumers, consumer protection organisations, regulatory or governmental authorities or other decision-making bodies in respect of the unit-linked products, may affect the (legal) position of NN and may force NN to take (financial) measures that could have a substantial impact on the financial condition, results of operations, solvency or reputation of NN. As a result of the public and political attention the unit-linked issue has received, it is also possible that sector-wide measures may be imposed by governmental authorities or regulators in relation to unit-linked products in the Netherlands. The impact on NN of rulings made by courts or decision-making bodies, actions taken by regulators or governmental bodies against other Dutch insurance companies in respect of unit-linked products, or settlements or any other actions to the benefit of customers (including product improvements or repairs), may be determined not only by market share but also by product features, portfolio composition and other factors. Adverse decisions or the occurrence of any of the developments as described above could result in outcomes materially different than if NN or its products had been judged or negotiated solely on their own merits.

NN has in the past sold, issued or advised on unit-linked products in and outside the Netherlands, and in certain jurisdictions continues to do so. Moreover, NN has in the past, in the Netherlands and other countries, sold, issued or advised on large numbers of insurance or investment products of its own or of third parties (and in some jurisdictions continues to do so) that have one or more product characteristics similar to those unit-linked products that have been the subject of the scrutiny, adverse publicity and claims in the Netherlands. Given the continuous political, regulatory and public attention on the unit-linked issue in the Netherlands, the increase in legal proceedings and claim initiatives in the Netherlands or the legislative and regulatory developments in Europe to further increase and strengthen consumer protection in general, there is a risk that unit-linked products and other insurance and investment products sold, issued or advised on by NN may become subject to the same or similar levels of regulatory or political scrutiny, publicity and claims or actions by consumers, consumer protection organisations, regulators or governmental authorities.

NN's book of policies dates back many years, and in some cases several decades. Over time, the regulatory requirements and expectations of various stakeholders, including customers, regulators and the public at large, as well as standards and market practice, have developed and changed, increasing customer protection. As a result, policyholders and consumer protection organisations have initiated and may in the future initiate proceedings against NN alleging that products sold in the past fail to meet current requirements and expectations. In any such proceedings, it cannot be excluded that the relevant court, regulator, governmental authority or other decision-making body will apply current norms, requirements, expectations, standards and market practices on laws and regulations to products sold, issued or advised on by NN.

Any of the developments described above could be substantial for NN and as a result may have a material adverse effect on NN's business, reputation, revenues, results of operations, solvency, financial condition and prospects.

NN is exposed to the risk of claims from customers who feel misled or treated unfairly because of advice or information received.

NN's life insurance, non-life insurance, banking, investment and pension products and advice services for third party products are exposed to claims from customers who allege that they have received misleading advice or other information from advisers (both internal and external) as to which products were most appropriate for them, or that the terms and conditions of the products, the nature of the products or the circumstances under which the products were sold were misrepresented to them. When new financial products are brought to the market, NN engages in a product approval process in connection with the development of such products, including production of appropriate marketing and communication materials. Notwithstanding these processes, customers may make claims against NN if the products do not meet customer expectations. Customer protection regulations, as well as changes in interpretation and perception by both the public at large and governmental authorities of acceptable market practices, influence customer expectations.

Products distributed through person-to-person sales forces have a higher exposure to these claims as the sales forces provide face-to-face financial planning and advisory services. Complaints may also arise if customers feel that they have not been treated reasonably or fairly, or that the duty of care has not been complied with. While a considerable amount of time and resources have been invested in reviewing and assessing historic sales practices, and in the maintenance of risk management, and legal and compliance procedures to monitor current sales practices, there can be no assurance that all of the issues associated with current and historic sales practices have been or will be identified, nor that any issues already identified will not be more widespread than presently estimated.

The negative publicity associated with any sales practices, any compensation payable in respect of any such issues and regulatory changes resulting from such issues have had and may continue to have a material adverse effect on NN's business, reputation, revenues, results of operations, financial condition and prospects.

The Issuer and its regulated subsidiaries are required to maintain significant levels of capital and to comply with a number of regulatory requirements relating thereto. If the Issuer or its regulated subsidiaries were in danger of failing, or fail, to meet regulatory capital requirements or to maintain sufficient assets to satisfy certain regulatory requirements, the supervisory authorities have broad authority to require them to take steps to protect policyholders and other clients and to compensate for capital shortfalls and to limit the ability of the Issuer's subsidiaries to pay dividends or distributions to the Issuer.

The Issuer and its regulated subsidiaries are required to maintain significant levels of capital and to comply with a number of regulatory requirements relating thereto. NN's supervisory authorities could require it to take remedial action if the Issuer or any of its regulated subsidiaries breaches or is at risk of breaching any of the regulatory capital requirements. Amongst others, such breaches could be as a result of new regulatory requirements, including Solvency II when it becomes effective, or as a result of material adverse developments in the legal proceedings associated with the Dutch unit-linked policies or any of the legal and regulatory developments described above. In addition, the supervisory authorities could decide to increase the regulatory capital requirements of the Issuer or any of its regulated subsidiaries, or the level of NN's regulatory capital may decrease as a result of a change or difference in the interpretation or application of principle-based regulatory requirements, including solvency requirements, by or between NN and the supervisory authorities. In this regard, under Dutch law, DNB has discretionary powers to give instructions on the interpretation of the principle-based regulatory requirements, including solvency requirements, and the application of the Issuer's funds to strengthen the capital position of its Dutch regulated subsidiaries to levels above regulatory capital requirements, any of which may affect the ability of the Issuer to meet its obligations to its creditors, including Noteholders. Remedial action could include working closely with the authorities to protect policyholders' interests and to restore the Issuer's or the individual subsidiary's capital and solvency positions to acceptable levels and to ensure that the financial resources necessary to meet obligations to policyholders are maintained. In taking any such remedial action, the interests of the policyholders would take precedence over those of Noteholders.

If NN is unable to meet its regulatory requirements by redeploying existing available capital, it would have to consider taking other measures to protect its capital and solvency position. These measures might include divesting parts of its business, which may be difficult or costly or result in a significant loss. NN might also have to raise additional capital in the form of subordinated debt or equity.

Raising additional capital from external sources might be impossible due to factors outside NN's control, such as market conditions, or it might be possible only on unfavourable terms. Any of these measures could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects. If the regulatory requirements are not met (because NN could not take appropriate measures or because the measures were not sufficiently effective), NN could lose any of its licences and hence be forced to cease some or all of its business operations.

The capital requirements applicable to NN are subject to ongoing regulatory change. A breach of capital requirements may also limit the ability of a regulated subsidiary to pay dividends or distributions to the Issuer.

NN has divested a substantial part of its insurance and investment management businesses over the past several years through private sales and public offerings (including as required by and within the timeframe agreed with the EC as laid down in the EC Restructuring Plan), in respect of which the sellers have given representations, warranties, guarantees, indemnities and other contractual protections to the purchasers of these businesses that may, should claims arise, have a material adverse effect on NN's results of operations, financial condition and prospects.

NN has divested a substantial part of its insurance and investment management businesses (including as required by and within the timeframe agreed with the EC as laid down in the EC Restructuring Plan) in the United States, Latin America, Asia and Australia over the past years through private sales and public offerings. The aggregate sales proceeds of the divestments that closed in 2011, 2012 and 2013 were EUR 8.5 billion. Other than the initial public offering of ING U.S., these divestments were carried out by way of competitive auction processes. In respect of these divestments, the relevant members of the NN group have given representations, warranties, guarantees, indemnities and other contractual protections to the relevant purchasers and as a result may be subject to claims from the purchasers. The contractual protections given in relation to certain divestments might be considered more purchaser-friendly than protections generally given by sellers in these types of transactions, taking into account the requirements and timeframe for these divestments as agreed with the EC. Liability of NN as a result of claims made by purchasers could materially and adversely affect NN's results of operations, financial condition and prospects. In respect of the divestments of the former subsidiaries in the United States and Latin America, with aggregate sales proceeds of EUR 4.0 billion, NN has been indemnified by ING Groep against such claims.

Changes in tax laws could materially impact NN's tax position which could affect the ability of the Issuer to make payments to Noteholders and the ability of the Issuer's subsidiaries to make direct and indirect distributions to the Issuer. Changes in tax laws may make some of NN's insurance, pensions, investment management and banking products less attractive to customers, decreasing demand for certain of NN's products and increasing surrenders of certain of NN's in-force life insurance policies, which may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

Changes in the applicable tax legislation, in the interpretation of existing tax laws, amendments to existing tax rates, or the introduction of new tax legislation, specifically with respect to taxation of insurance companies, could lead to a higher tax burden on NN, materially impact NN's tax receivables and liabilities as well as deferred tax assets and deferred tax liabilities, and could have a material adverse effect on NN's business, results of operations and financial condition.

Amendments to applicable laws, orders and regulations may be issued or altered with retroactive effect. Additionally, tax authorities may change their interpretations of tax laws at any time, which may lead to a higher tax burden on NN. While changes in taxation laws would affect the insurance sector as a whole, changes may be more detrimental to particular operators in the industry.

A higher tax burden on NN could negatively impact both the ability of the Issuer to make payments to Noteholders and the ability of the Issuer's subsidiaries to make direct and indirect distributions to the Issuer, which may in turn adversely impact the ability of the Issuer to make payments to Noteholders. Similarly, the design of certain of NN's products is predicated on tax legislation valid at that time and these products may be attractive to customers because they afford certain tax benefits. For example: (a) individual life insurance policyholders can under certain conditions deduct their payments from their taxable income; and (b) in Japan, a further reduction of the corporate tax rate is announced and, as the COLI products sold by Japan Life represent a tax-efficient way to purchase protection, savings and retirement preparation solutions, any further reductions to the corporate tax rate may have an adverse impact on the attractiveness of these products. Future changes in tax legislation or its interpretation may, when applied to these products, have a material adverse effect on policyholder returns and NN's customers' demand for these products, including insurance, pensions, investment management and banking products.

Moreover, changes in governmental policy, such as in relation to government subsidised pension plans, or changes in local tax or legal regulations, such as changes in taxation of certain life and health insurance products, may affect NN's clients' ability or willingness to do business with NN and may thus adversely affect demand of NN's insurance products or result in increased surrenders of certain of NN's in-force life insurance policies.

Any of these developments could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

Operational Risks

NN is subject to operational risks, which can originate from inadequate or failed internal NN processes and systems, the conduct of NN personnel and third parties, and from external events that are beyond NN's control. NN's policies and procedures may be inadequate, or may otherwise not be fully effective. Should operational risks occur, they may have a material adverse effect on NN's business, revenues, results of operations and financial condition.

NN is subject to operational risks, which risks can originate from inadequate or failed internal NN processes and systems, the conduct of NN personnel and third parties (including intermediaries, tied agents and other persons engaged by NN to sell and distribute its products and to provide other services to NN), and from external events that are beyond NN's control. NN's internal processes and systems may be inadequate or may otherwise fail to be fully effective due to the failure by NN personnel and third parties (including intermediaries, tied agents and other persons engaged by NN to sell and distribute its products and to provide other services to NN) to comply with internal business policies or guidelines, and (unintentional) human error (including during transaction processing), which may result in, among others: the incorrect or incomplete storage of files, data and important information (including confidential customer information); inadequate documentation of contracts; mistakes in the settlement of claims (for instance, where a claim is incorrectly assessed as valid, or where the insured receives an amount in excess of that to which the insured is entitled under the relevant contract), and failures in the monitoring of the credit status of debtors.

NN has developed policies and procedures to identify, monitor and manage operational risks, and will continue to do so in the future. However, these policies and procedures may be inadequate, or may otherwise not be fully effective. Moreover, NN's geographical spread, as well as its decentralised governance and risk management structure, may lead to increased operational risks as the effectiveness of its risk management policies and procedures may be reduced for those business units that are situated far from the centralised risk management in the Netherlands.

If any of these operational risks were to occur, it could result in, amongst others, additional or increased costs, errors, fraud, violations of law, investigations and sanctions by regulatory and other supervisory authorities, claims by customers, customer groups and customer protection bodies, loss of existing customers, loss of potential customers and sales, loss of receivables and harm NN's reputation, any of which, alone or in the aggregate, could have a material adverse effect on NN's business, revenues, results of operations, and financial condition.

The occurrence of natural or man-made disasters may endanger the continuity of NN's business operations and the security of NN's employees, which may have a material adverse effect on NN's business, results of operations, financial condition and prospects.

NN is exposed to various risks arising from natural disasters (including hurricanes, floods, fires, earthquakes, including earthquakes in Tokyo, Japan, and disease), as well as man-made disasters and core infrastructure failures (including acts of terrorism, war, military actions and power grid and telephone/internet infrastructure failures). These natural and man-made disasters may endanger the continuity of NN's business operations and the security of NN's employees, and may adversely affect NN's business, results of operations and financial condition by causing, among other things:

- disruptions of NN's normal business operations due to property damage, loss of life or disruption of public and private infrastructure, including information technology and communications services, and financial services;
- losses in NN's investment portfolio due to significant volatility in global financial markets or the failure of counterparties to perform; and
- changes in the rates of mortality, longevity and morbidity, claims, premium holidays, withdrawals, lapses and surrenders of existing policies and contracts, as well as sales of new policies and contracts.

NN's business continuity and crisis management plan or its insurance coverage may not be effective in mitigating the negative impact on operations or profitability in the event of a natural or man-made disaster or core infrastructure failure. The business continuity and crisis management plans of NN's distributors and other third party vendors, on whom NN relies for certain distribution and other services and products, may also not be effective in mitigating any negative impact on the provision of such services and products in the event of such a disaster or failure. Claims resulting from such a disaster or failure could also materially harm the financial condition of NN's reinsurers, which would increase the probability of default on reinsurance recoveries and could also limit NN's ability to write new business.

The loss of key personnel, and the failure to attract and retain key personnel with appropriate qualifications and experience, could have a material adverse effect on NN's business and impair its ability to implement its business strategy.

NN's success depends in large part on its ability to attract and retain key personnel with appropriate knowledge and skills, particularly financial, investment, IT, risk management, underwriting, actuarial, Solvency II and other specialist skills and experience. Competition for senior managers as well as personnel with these skills is intense among insurance companies and other financial institutions, and NN may incur significant costs to attract and retain such personnel or may fail to do so. While NN does not believe that the departure of any particular individual would cause a material adverse effect on its operations, the unexpected loss of several members of NN's senior management or other key personnel could have a material adverse effect on its operations due to the loss of their skills, knowledge of NN's business and their years of industry experience, as well as the potential difficulty of promptly finding qualified replacement personnel.

Any failure by NN to attract or retain qualified personnel could have a material adverse effect on its business, revenues, results of operations and financial condition.

NN is exposed to the risk of fraud and other misconduct or unauthorised activities by NN personnel, distributors, customers and other third parties. The occurrence of fraud and other misconduct and unauthorised activities could result in losses and harm NN's reputation, and may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

NN is exposed to the risk of fraud and other misconduct or unauthorised activities by NN personnel, distributors, customers and other third parties. Fraud typically occurs when these persons deliberately abuse NN's procedures, systems, assets, products or services, and includes policy fraud (where fraudulent misstatements of fact are made in applications for insurance products by customers), sales fraud (where, for instance, intermediaries design commission schemes that are not for bona fide customers, or are written for non-existent customers, in order to collect commissions that are typically payable in the first year of the contract, after which the policy is allowed to lapse), claims fraud (where fraudulent misstatements of fact are made in an effort to make claims under existing policies), fraud in relation to payment execution (where payments of policy benefits are fraudulently routed to bank accounts other than those of the relevant beneficiary) and, in the case of NN Bank, forgery and other types of bank fraud. The occurrence of fraud and other misconduct and unauthorised activities could result in losses, increased costs, violations of law, investigations and sanctions by regulatory and other supervisory authorities, claims by customers, customer groups and customer protection bodies, loss of potential and existing customers, loss of receivables and harm to NN's reputation, any of which, alone or in the aggregate, could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

Interruption or other operational failures in telecommunication, IT and other operational systems, or a failure to maintain the security, integrity, confidentiality or privacy of sensitive data in those systems, including as a result of human error, could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

NN is highly dependent on automated and IT systems to adequately secure confidential and business information, and to maintain the confidentiality, integrity and availability of information and data.

NN could experience a failure of these systems, its employees could fail to monitor and implement enhancements or other modifications to a system in a timely and effective manner, or its employees could fail to complete all necessary data reconciliation or other conversion controls when implementing a new software system or implementing modifications to an existing system. Furthermore, NN relies on third party suppliers to provide certain critical information technology and telecommunication services to NN and its customers. For instance, in the Netherlands a significant part of NN's IT infrastructure is provided by a third party supplier. The failure of any one of these systems, or the failure of a third party supplier to meet its obligations, for any reason, or errors made by NN's employees or the third party supplier, could in each case cause significant interruptions to NN's operations, harm NN's reputation, adversely affect its internal control over financial reporting and have a material adverse effect on NN's business, results of operations, financial condition and prospects.

NN retains confidential information in its IT systems, and relies on industry standard commercial technologies to maintain the security of those systems. Anyone who is able to circumvent NN's security measures and penetrate its IT systems could access, view, misappropriate, alter or delete information in the systems, including personally identifiable customer information and proprietary business information. Information security risks also exist with respect to the use of portable electronic devices, such as laptops, which are particularly vulnerable to loss and theft. In addition, the laws of an increasing number of jurisdictions require that customers be notified if a security breach results in the disclosure of personally identifiable customer information. Any compromise of the security of NN's IT systems that results in unauthorised disclosure or use of personally identifiable customer information could harm NN's reputation, deter purchases of its products, subject NN to heightened regulatory scrutiny or significant civil and criminal liability, and require that NN incur significant technical, legal and other expenses, each of which could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

NN is dependent in part on the continued performance, accuracy, compliance and security of third party service providers who provide certain critical operational support functions to NN. Inadequate performance by these service providers could result in reputational harm and increased costs, which could have a material adverse effect on NN's business, revenues, results of operations and prospects.

NN has outsourced certain critical operational support functions to third party service providers. NN is dependent in part on the continued performance, quality of customer service, accuracy, compliance and security of these service providers. If the contractual arrangements with any third party service providers are terminated, NN may not find an alternative provider of the services, on a timely basis, on equivalent terms or at all. Many of these service providers have access to confidential customer information, and any unauthorised disclosure or other mishandling of that confidential customer information could result in adverse publicity, reputational harm, deter purchases of NN products, subject NN to heightened regulatory scrutiny or significant civil and criminal liability, and require that NN incur significant legal and other expenses. Any of these events could have a material adverse effect on NN's business, revenues, results of operations and prospects.

Financial Reporting Risks

Changes in accounting standards or policies, or NN's financial metrics, including as a result of choices made by NN, could adversely impact NN's reported results of operations and its reported financial condition.

NN's consolidated financial statements are subject to the application of IFRS, which is periodically revised or expanded. Accordingly, from time to time NN is required to adopt new or revised accounting standards issued by recognised authoritative bodies, including the International Accounting Standards Board ("IASB"). It is possible that future accounting standards which NN is required to adopt, could change the current accounting treatment that applies to its consolidated financial statements and that such changes could have a material adverse effect on NN's results of operations and financial condition.

In June 2013, the IASB issued an Exposure Draft on Phase II of accounting of Insurance Contracts. This contemplated accounting change will result in significant changes to NN's consolidated financial statements. NN may also choose to change the calculation methods, definitions, presentation or other elements of its reported financial metrics, or make other choices permitted under IFRS regarding the presentation of its reported results of operations and reported financial condition. This may include a choice to further align its IFRS accounting policies with regulatory accounting requirements (which are different in certain respects) to prevent accounting volatility when hedging regulatory capital. Further changes in accounting standards or policies, or NN's financial metrics, including as a result of choices made by NN, could have a material adverse effect on NN's reported results of operations and its reported financial condition.

NN's technical reserves reflected in its IFRS financial statements to pay insurance and other claims, now and in the future, could prove inadequate, which could require that NN strengthen its reserves, which may have a material adverse effect on NN's results of operations and financial condition.

NN determines the amount of the technical reserves using actuarial methods and statistical models, which use assumptions. For NN's life insurance business, the reserving assumptions for technical reserves are locked in when the policy is issued, save for the variable annuity business where regular updates are made. The reserving assumptions for the non-life insurance business are periodically updated for recent experience, information and insights into claims developments, which creates volatility in results of operations. Insurance companies are required under IFRS 4 to test the adequacy of their reserves at each IFRS reporting date by executing the reserve adequacy test. NN applies the IFRS reserve adequacy test, which require reserves to be adequate on aggregate for NN at a prudent level (90 per cent. confidence level) and for each individual segment at a best estimate level (50 per cent. confidence level). There are differences in the manner, methodology, models and assumptions used by insurance companies in calculating the reserve adequacy test. The reserve adequacy test applied by NN is based on management best estimates on future developments of markets, insurance claims and expenses. At the date of this Prospectus, the aggregate reserves are adequate at the 90 per cent. confidence level. There can be no assurance that the reserves will remain adequate in the future and that no additional charges to the income statement will be necessary. Furthermore, one or more of the assumptions underlying the reserve adequacy test of NN could prove to be incorrect and management may change one or more of the assumptions affecting the outcome of the reserve adequacy test, which in each case may make it necessary for NN to set aside additional reserves.

Under its current policy, if the reserve adequacy test shows that current technical reserves are not adequate in aggregate for NN at a prudent level (90 per cent. confidence level) or if technical reserves are not adequate for an individual segment at a best estimate level (50 per cent. confidence level), NN must strengthen its technical reserves in order to reach the respective adequacy levels.

In addition to its technical reserves for insurance liabilities, NN's IFRS reserves include provisions for other claims. For example, NN's IFRS reserves include a provision in relation to potential claims in relation to two UK-incorporated insurance company subsidiaries of the Issuer. OIC Run-Off Limited (formerly called The Orion Insurance Company plc) ("Orion") and its subsidiary, London and Overseas Insurance Company Limited (formerly called The London and Overseas Insurance Company PLC) ("L&O") ceased writing new business in 1992.

Provisional liquidators for Orion and L&O were appointed in 1994, and a creditors' scheme of arrangement in relation to each of Orion and L&O became effective in 1997 (the "Original Scheme of Arrangement"). Since then, Orion and L&O have been managed by two joint scheme administrators, who are individuals not affiliated with NN. A creditors' scheme of arrangement under English law comprises a compromise or arrangement between a company, in this case each of Orion and L&O, and its creditors or any class of them. Such a scheme of arrangement requires the approval of a majority in number representing at least three quarters in value of the creditors of each class voting in person or by proxy, the sanction of the English court and delivery of a copy of the relevant order of the court to the registrar of companies. As a matter of English law, the scheme is binding on all creditors to which it relates.

In 1969 Orion entered into a guarantee addressed to the Institute of London Underwriters (the **ILU**) in relation to certain liabilities of L&O on policies signed and issued by the ILU on behalf of L&O. Subsequently, in 1970, each of ING Verzekeringen N.V. ("INGV") (which has since legally merged into the Issuer) and Nationale-Nederlanden Internationale Schadeverzekering N.V. ("NNIS") (a subsidiary of the Issuer which has since merged with a UK subsidiary of the Issuer, creating Nationale-Nederlanden Internationale Schadeverzekering S.E.), issued a guarantee addressed to the ILU in respect of any or all contracts of insurance or reinsurance evidenced by policies signed or issued by the ILU on behalf of Orion and L&O. Those Orion, INGV and NNIS guarantees were subsequently discharged pursuant to an agreement between NN, NNIS, Nationale-Nederlanden Overseas Finance and Investment Company ("NNOFIC") (a UK subsidiary of the Issuer) and the ILU under which NN and NNIS agreed to procure a letter of credit in favour of the ILU as to liabilities of Orion and/or L&O in respect of any or all contracts of insurance or reinsurance evidenced by policies signed and issued by the ILU (i) on behalf of Orion with inception dates on or after 28 August 1970 and/or (ii) on behalf of L&O with inception dates on or after 20 March 1969 (qualifying ILU policies). Subsequent to the provisional liquidation of Orion and L&O, INGV and NNIS procured NNOFIC to enter into a claims payment loan agreement ("CPLA") in 1995 under which the ILU could request certain funds under a facility granted by NNOFIC to Orion and L&O for the payment to qualifying ILU policyholders of claims meeting certain conditions under qualifying ILU policies for which Orion or L&O were in default. This payment mechanism was provided in substitution for claims against the letter of credit, which remained in place (but claims under it were suspended for so long as the CPLA was in operation). The CPLA was superseded by a subsequent claims payment loan agreement ("CPLA 2") entered into in 1996 (but claims under the letter of credit remain suspended for so long as that 1996 agreement remains in operation).

An amendment to the Original Scheme of Arrangement (the "Amending Scheme of Arrangement") has been prepared by the joint scheme administrators in consultation with NN and certain other stakeholders such as the ILU. The Amending Scheme of Arrangement would establish a cut-off point in respect of claims under policies issued by Orion and L&O (subject to a right of opt-out for qualifying ILU policyholders). NN and the joint scheme administrators expect that this Amending Scheme of Arrangement will be approved by the relevant classes of creditors by the requisite majorities referred to above and become effective. If it is so approved then it would accelerate the run-off of the Orion and L&O estates, potentially resulting in substantially lower run-off costs and therefore earlier and higher pay-outs to creditors who do not opt out of the arrangements. In addition to payments under the claims payment loan agreement arrangements, NNOFIC proposes to pay a premium to qualifying ILU policyholders who do not opt out of these arrangements. CPLA 2 will be amended to take account of the Amending Scheme of Arrangement.

NNOFIC's balance sheet includes a provision reflecting the expected potential net expenditure in respect of the qualifying ILU policyholders under CPLA 2. This provision is determined inter alia on the basis of the expectation of the joint scheme administrators and NN that the Amending Scheme of Arrangement will become effective. If, contrary to the current expectations of the joint scheme administrators and the NN, the Amending Scheme of Arrangement were to not become effective, the current provision reflected in the NN's IFRS financial statements may have to be increased, resulting in a charge to the Issuer's consolidated income statement.

If NN's technical or other reserves prove inadequate, NN may be required to strengthen its reserves, which may have a material adverse effect on NN's results of operations and financial condition.

Defects and errors in NN's processes, systems and reporting may cause internal and external miscommunication (including incorrect public disclosure), wrong decisions and wrong reporting to customers. Should they occur, such events could harm NN's reputation and could have a material adverse effect on NN's business, revenues, results of operations and financial condition.

Defects and errors in NN's financial processes, systems and reporting, including both human and technical errors, could result in a late delivery of internal and external reports, or reports with insufficient or inaccurate information. In NN's current financial reporting, business units and legal entities do not always coincide. This increases the complexity of the financial reporting process, both within the business units and legal entities, and at the Issuer level, which in turn increases the risk of financial reporting errors. Moreover, in recent years the frequency, quality, volume and complexity of the type of financial information that must be processed by NN's financial reporting systems has increased, in part due to more onerous regulatory requirements. For instance, new reporting metrics (such as market consistent embedded values and economic capital) are significantly more complex than the financial information NN's financial reporting systems processed in the past, and require a higher level of skill by NN's personnel.

Defects and errors in NN's financial processes, systems and reporting could lead to wrong decisions in respect of, for instance, product pricing and hedge decisions which could materially adversely affect its results of operations. In addition, misinforming customers and investors could lead to substantial claims and regulatory fines, increased regulatory scrutiny, reputational harm and increased administrative costs to remedy errors. In the event any such defects and errors occur, this could harm NN's reputation and could materially adversely affect NN's business, revenues, results of operations and financial condition.

Risks Related to the Separation from, and Continuing Relationship with, ING

Also after the recent completion of the Share Offering, ING Groep continues to own a significant number of Ordinary Shares, and continues to be subject to various restrictions, limitations and undertakings under the EC Restructuring Plan. NN cannot accurately predict whether any such restrictions and limitations will have a negative effect on its business or financial flexibility, or result in conflicts between the interests of ING Groep and the interests of NN.

Also after the recent completion of the divestment of ordinary shares in the Issuer ("Ordinary Shares" and the "Share Offering", respectively) by ING Groep N.V. ("ING Groep"), ING Groep continues to own more than 50 per cent. of the Ordinary Shares. Circumstances affecting ING Groep may have an impact on NN, and NN cannot be certain as to how further changes in circumstances affecting ING Groep may impact it.

In 2009, ING Groep was required to develop and submit a restructuring plan to the EC as a condition to receiving approval from the EC for the Dutch State aid it received in 2008/2009. On 26 October 2009, ING Groep announced its "2009 Restructuring Plan", pursuant to which ING Groep is, *inter alia*, required to divest its insurance and investment management businesses, including the Issuer and its subsidiaries. On 18 November 2009, the 2009 Restructuring Plan received formal EC approval. On 25 November 2009, the divestment of all insurance and investment management businesses was approved by ING Groep's shareholders.

On 24 July 2012, ING Groep announced that the Dutch State and ING Groep were in dialogue with the EC on certain amendments to the 2009 Restructuring Plan, which were set out in the "2012 Restructuring Plan". On 16 November 2012, the 2012 Restructuring Plan was formally approved by the EC. The 2012 Restructuring Plan extended the time horizon, increased the flexibility for the completion of divestments and adjusted other commitments as set forth in the 2009 Restructuring Plan in light of market conditions, economic climate and more stringent regulation.

On 6 November 2013, ING Groep announced that, together with the Dutch State, it had reached an agreement with the EC on certain amendments to the 2012 Restructuring Plan, which were set out in the "2013 Restructuring Plan". The 2013 Restructuring Plan accelerated the divestment timeline for NN by two years, as a result of which ING Groep is required to divest more than 50 per cent. of its shareholding in the Issuer before 31 December 2015 and the remaining interest before 31 December 2016. Pursuant to the 2013 Restructuring Plan, the Japan Life and Japan Closed Block VA businesses are permitted to be divested in line with the divestment timeline for NN and are thus permitted to remain part of NN. The requirement for ING Groep to divest more than 50 per cent. of its interest in the Issuer includes the requirement to: (a) no longer have a majority of representatives on the executive board of the Issuer (*raad van bestuur*) (the "Executive Board"), and (b) deconsolidate the Issuer's financial statements from ING Groep's financial statements in line with IFRS accounting rules.

In addition to the divestment requirements, the "EC Restructuring Plan" (being the 2009 Restructuring Plan, together with the 2012 Restructuring Plan and the 2013 Restructuring Plan) places certain conditions and restrictions on ING's (including NN's) business and operations. These conditions and restrictions include a ban on certain acquisitions as well as a requirement for ING Groep to fulfil certain commitments, including repaying the state aid received from the Dutch State.

In operating the business, NN has to abide by the requirements of the EC Restructuring Plan, and may also be subject to requirements included in any future decisions, guidance or interpretation of the EC that may be applicable to NN for so long as it is controlled by ING Groep and possibly for so long as ING Groep has a sufficient interest in the Issuer's share capital.

If ING Groep does not meet any NN Bank-related commitments before the date on which ING Groep has divested more than 50 per cent. of its interest in the Issuer or, if the EC so requires, before the end of 2015, or if ING Groep does not (timely) divest NN as agreed with the EC, or in case of other material non-compliance with the EC Restructuring Plan, the Dutch State will be obliged to re-notify the recapitalisation measure to the EC. In that event, the EC may require additional restructuring measures or take enforcement actions and/or, at the request of ING Groep and the Dutch State, may allow ING Groep more time to complete the divestment of NN or amend any NN Bank-related commitments.

The EC Restructuring Plan contains provisions and restrictions that could limit NN's business activities, including restricting NN's ability to make certain acquisitions or to conduct certain financing and investment activities.

NN cannot predict whether any such restrictions and limitations will have a negative effect on its business and financial flexibility, or result in conflicts between the interests of ING and the interests of NN, nor can NN predict whether any further changes to the EC Restructuring Plan may be made, and whether any such changes would have any effect on NN's business. NN also cannot predict the possible effect of a failure by ING Groep to satisfy its commitments under the EC Restructuring Plan, including its NN Bank-related commitments and its commitment to divest NN, for instance by having a remaining ownership interest in the Issuer and its subsidiaries beyond any deadline agreed with the EC.

Following the Share Offering of the Issuer and an additional sale of shares in the Issuer in February 2015, ING Groep continues to hold a 54.6 per cent. stake in the Issuer. ING Groep's divestment of the remaining stake in the Issuer may take place by means of a sale to a single buyer or group of buyers. A sale to one or more third parties could result in a change to the strategy, management and risk profile of NN. There can be no assurance that the taking of any such actions would not adversely affect the ability of NN to effectively conduct its business or to satisfy its obligations under the Notes.

Under the EC Restructuring Plan, ING Groep is required to divest more than 50 per cent. of its shareholding in the Issuer before 31 December 2015 and the remaining interest before 31 December 2016. The obligation to divest more than 50 per cent. of its shareholding in the Issuer also requires that ING Groep (a) will no longer have a majority of representatives on the Management Board and (b) will have deconsolidated the Issuer's financial statements from ING Groep's financial statements in line with IFRS accounting rules. Following the Share Offering of the Issuer and an additional sale of shares in the Issuer in February 2015, ING Groep continues to hold a 54.6 per cent. stake in the Issuer. It is possible that ING Groep's divestment of the remaining stake in the Issuer may take place by means of a sale to a single buyer or group of buyers. As such, there also remains uncertainty as to the identity of the eventual owners of the Issuer. Should the divestment of the remaining stake in the Issuer occur by way of a sale of the stake to one or more third parties, this could result in a change to the strategy, management and risk profile of NN. There can be no assurance that the taking of any such actions would not adversely affect the Issuer's credit rating or the ability of NN to effectively conduct its business or to satisfy its obligations under the Notes. In addition, a change of ownership of the Issuer, or a member of NN (whether directly or indirectly), could result in key contracts being terminated by the counterparties to such contracts (including pursuant to existing termination rights of counterparties that are exercisable upon such a change in ownership), which could give rise to material disruptions to NN's business, additional costs to renegotiate those contracts, difficulties in managing its operations, and adverse impacts on NN's customers. As a result of these effects, the eventual change in ownership could have a material adverse effect on NN's business, revenues, results of operations, financial position and prospects.

Following termination of certain transitional arrangements with ING, NN will have to meet the relevant operational requirements independently. If NN is unable to do so, it may not be able to operate its business effectively or at comparable costs, and may incur losses, which may have a material adverse effect on NN's business, results of operations and financial condition.

In anticipation of the separation of NN from ING, as mandated by the EC, in 2009, NN commenced a project to achieve operational independence from ING by replicating the functions, systems and infrastructure it had obtained from ING in the past as a member of ING. Although this project was completed in 2012, pursuant to certain transitional arrangements ING (including, in particular, ING Bank) continues to perform or support certain IT, HR, finance and risk management services for NN. These transitional arrangements are not indefinite and will ultimately terminate. Following termination of the transitional arrangements, NN will have to meet the relevant operational requirements independently, either by replicating them internally or by obtaining appropriate services from third parties. If NN does not have adequate own systems and functions in place, or is unable to obtain them from third party service providers, it may not be able to operate its business effectively or at comparable costs, and may incur losses. In the past, NN's business has benefited from the purchasing power of ING when procuring services, but as a stand-alone group NN may be unable to obtain those services at comparable prices or otherwise on terms as favourable to NN as those obtained when within ING. Each of the consequences set out above, should they occur, may have a material adverse effect on NN's business, results of operations and financial condition.

Because its separation from ING means that NN will no longer benefit from ING's strong brand and reputation, amongst other things, NN's ability to attract and retain customers and suitably qualified distributors may be negatively impacted, third parties may re-price, modify or terminate their relationships with NN, and NN may be forced to lower the prices of its products, which may have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

On 2 October 2013, the intention to rebrand the Issuer and its subsidiaries to "NN" was announced. Prior to the rebranding, NN marketed a significant portion of its products and services using the "ING" brand name and logo. NN believes that the association with ING, and the use of ING's brand, provided it with preferred status among its customers, distributors and other persons due to ING's globally recognised brand, and the perception that ING provides high quality products and services and has a strong capital base and financial strength. The separation of NN from ING could change this perception and adversely affect NN's ability to attract and retain customers, which could result in reduced sales of its products. In addition, the separation of NN from ING may prompt some third parties to re-price, modify or terminate their distribution or other relationships with NN. NN's ability to maintain a competitive network of distributors for the sale and distribution of its products may also be negatively affected. NN may be required to lower the prices of its products, increase its sales commissions and fees, change long-term selling and marketing agreements and take other action to maintain its relationships with its customers and third party distributors. Should any of the consequences set out above occur, individually or in combination with others, they could have a material adverse effect on NN's business, revenues, results of operations, financial condition and prospects.

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

Notes may not be a suitable investment for all investors

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

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain material risks for potential investors. Set out below is a description of such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

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

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Risks related to Notes generally

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

The Issuer is a holding company with no operations and relies on its operating subsidiaries to provide it with dividend payments and other funds to meet its financial obligations and to pay out dividends.

The Issuer is a holding company with no material, direct business operations. The principal assets of the Issuer are the equity interests it directly or indirectly holds in its operating subsidiaries. As a result, the Issuer is dependent on dividends and other payments from its subsidiaries to generate the funds necessary to meet its financial obligations, including the payment of dividends and payment of principal and interest on the Notes. The ability of the Issuer's subsidiaries to make such distributions and other payments depends on their earnings and may be subject to statutory, legal, regulatory or contractual limitations.

As an equity investor in its subsidiaries, the Issuer's right to receive assets upon their liquidation or reorganisation will be effectively subordinated to the claims of creditors of its subsidiaries. To the extent that the Issuer is recognised as a creditor of such subsidiaries, the Issuer's claims may still be subordinated to any security interest in, or other lien on, their assets and to any of their debt or other obligations that are senior to the Issuer's claims.

Modification, waivers and substitution

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally and to obtain Written Resolutions on matters relating to the Notes from Noteholders without calling a meeting. A Written Resolution signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes of the relevant Series who for the time being are entitled to receive notice of a meeting in accordance with the provisions of the Agency Agreement and whose Notes are outstanding shall, for all purposes, take effect as an Extraordinary Resolution.

In certain circumstances, where the Notes are held in global form in the clearing systems, the Issuer will be entitled to rely upon:

(i) where the terms of the proposed resolution have been notified through the relevant clearing system(s), approval of a resolution proposed by the Issuer given by way of electronic consents communicated through the electronic communications systems of the relevant clearing systems in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes of the relevant Series for the time being outstanding; and

(ii) where electronic consent is not being sought, consent or instructions given in writing directly to the Issuer by accountholders in the clearing systems with entitlements to such global note or certificate or, where the accountholders hold such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held (directly or via one or more intermediaries), provided that the Issuer has obtained commercially reasonable evidence to ascertain the validity of such holding and taken reasonable steps to ensure such holding does not alter following the giving of such consent/instruction and prior to effecting such resolution.

A Written Resolution or an electronic consent as described above may be effected in connection with any matter affecting the interests of Noteholders, including the modification of the Conditions, that would otherwise be required to be passed at a meeting of Noteholders satisfying the special quorum in accordance with the provisions of the Agency Agreement, and shall for all purposes take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

EU Directive on the taxation of savings income

EC Council Directive 2003/48/EC on the taxation of savings income (the "Savings Directive") requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual resident, or certain other types of entity established, in that other EU Member State, except that Austria and Luxembourg will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless, during such period, they elect otherwise. Luxembourg will elect out of the withholding system in favour of an automatic exchange of information with effect from 1 January 2015.

The Council of the European Union has adopted a Directive (the "Amending Directive") which will, when implemented, amend and broaden the scope of the requirements of the Savings Directive described above. The Amending Directive will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or for the benefit of) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the Savings Directive, as amended. The Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

If a payment were to be made or collected through an EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. Furthermore, once the Amending Directive is implemented and takes effect in EU Member States, such withholding may occur in a wider range of circumstances than at present, as explained above.

The Issuer is required to maintain a Paying Agent with a specified office in an EU Member State that is not obliged to withhold or deduct tax pursuant to any law implementing the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000, which may mitigate an element of this risk if the Noteholder is able to arrange for payment through such a Paying Agent. However, investors should choose their custodians and intermediaries with care, and provide each custodian and intermediary with any information that may be necessary to enable such persons to make payments free from withholding and in compliance with the Savings Directive, as amended.

Investors who are in any doubt as to their position should consult their professional advisers.

U.S. Foreign Account Tax Compliance Withholding

As discussed above under "—Regulatory and Litigation Risks", FATCA imposes a new reporting and withholding regime. Whilst the Notes are in global form and held within Euroclear and Clearstream, Luxembourg (the "ICSDs"), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the clearing systems. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Prospective investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has paid the ICSD, and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSD and custodians or intermediaries. Prospective investors should refer to the section "Taxation—Foreign Account Tax Compliance Act".

Change of law

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

Bearer Notes where denominations involve integral multiples

In relation to any issue of Notes in bearer form which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that the Notes may be traded in amounts that are not integral multiples of such minimum Specified Denominations (as defined in the Conditions). In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Risks related to the market generally

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

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

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

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

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Certain considerations regarding hedging

Prospective purchasers intending to purchase Notes to hedge against the market risk associated with investing in a currency or other basis of reference which may be specified in the applicable Final Terms, should recognise the complexities of utilising Notes in this manner. For example, the value of the Notes may not exactly correlate with the value of the currency or other basis which may be specified in the applicable Final Terms. Due to fluctuating supply and demand for the Notes, there is no assurance that their value will correlate with movements of the currency or other basis which may be specified in the applicable Final Terms.

Actions taken by the Calculation Agent may affect the value of Notes

The Calculation Agent for an issue of Notes is the agent of the Issuer and not the agent of the holders of the Notes. The Calculation Agent is not acting as a fiduciary to any holders of Notes. The Calculation Agent will make such determinations and adjustments as it deems appropriate, in accordance with the terms and conditions of the specific issue of Notes. In making its determinations and adjustments, the Calculation Agent will be entitled to exercise substantial discretion and may be subject to conflicts of interest in exercising this discretion.

Over-issuance

As part of its issuing, market-making and/or trading arrangements, the Issuer may issue more Notes than those which are to be subscribed or purchased by third party investors. The Issuer (or any of its affiliates) may hold such Notes for the purpose of meeting any investor interest in the future. Prospective investors in the Notes should therefore not regard the issue size of any Series as indicative of the depth or liquidity of the market for such Series, or of the demand for such Series.

The return on an investment in Notes will be affected by charges incurred by investors

An investor's total return on an investment in Notes will be affected by the level of fees charged to the investor, including fees charged to the investor as a result of the Notes being held in a clearing system. Such fees may include charges for opening accounts, transfers of securities, custody services and fees for payment of principal, interest or other sums due under the terms of the Notes. Investors should carefully investigate these fees before making their investment decision.

Tax risk

This Prospectus includes a general summary of certain Dutch tax considerations relating to an investment in the Notes issued by the Issuer (see "Taxation"). Such summary may not apply to a particular holder of Notes or to a particular issue and does not cover all possible tax considerations. In addition, the tax treatment may change before the maturity, exercise or termination date of Notes. Any potential investor should consult its own independent tax adviser for more information about the tax consequences of acquiring, owning and disposing of Notes in its particular circumstances.

Financial Transaction Tax

In February 2013, the EU Commission adopted a proposal setting out the details of the financial transaction tax ("FTT"), which mirrors the scope of its original proposal of September 2011, to be levied on transactions in financial instruments by financial institutions if at least one of the parties to the transaction is located in the FTT zone ("FTT-Zone"), currently limited to 11 participating Member States (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain; the "Participating Member States" and each a "Participating Member State").

The proposed FTT has a very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016. However, full details are not available. Therefore, it is not known to what extent the elements of the Commission's Proposal outlined in the preceding paragraph will be followed in relation to the taxation of notes. The FTT, as initially implemented on this basis, may not apply to dealings in the Notes.

The FTT proposal remains subject to negotiation between the Participating Member States and is the object of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Risk of difference in insolvency law

In the event that the Issuer becomes insolvent, insolvency proceedings will generally be governed by the insolvency laws of the Issuer's place of incorporation. The insolvency laws of the Issuer's place of incorporation may be different from the insolvency laws of an investor's home jurisdiction and the treatment and ranking of holders of Notes issued by the Issuer and the Issuer's other creditors and shareholders under the insolvency laws of the Issuer's place of incorporation may be different from the treatment and ranking of holders of those Notes and the Issuer's other creditors and shareholders if the Issuer was subject to the insolvency laws of the investor's home jurisdiction.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with (i) the articles of association (*statuten*) of the Issuer (the official Dutch version and an English translation thereof), (ii) the audited consolidated financial statements of the Issuer's predecessor ING Verzekeringen N.V. for the financial year ended 31 December 2012 together with the independent auditor's report dated 18 March 2013, included in ING Verzekeringen N.V.'s annual report on pages 18 to 157 and 167, (iii) the Interim Financial Report containing the Issuer's condensed consolidated unaudited results as at, and for the six-month period ended, 30 June 2014, as published by the Issuer on 6 August 2014 (the "Interim Financial Report"), (iv) the press release published by the Issuer on 5 November 2014 entitled "NN Group reports strong 3Q14 results" (the "Q3 Press Release") and (v) the press release published by the Issuer on 11 February 2015 entitled "NN Group posts strong 4Q14 and 2014 results" (the "Q4 Press Release"), which have been previously published and which have been filed with the AFM. Such documents shall be incorporated in and form part of this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus. Copies of documents incorporated by reference in this Prospectus may be obtained (without charge) from the Issuer's website at www.nn-group.com.

SUPPLEMENTARY PROSPECTUS

If at any time the Issuer shall be required to prepare a supplementary prospectus pursuant to the WFT, the Issuer will prepare and make available an appropriate amendment or supplement to this Prospectus which, in respect of any subsequent issue of Notes to be listed and admitted to trading on Euronext Amsterdam, shall constitute a supplementary prospectus as required by the WFT.

The Issuer has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Prospectus which is capable of affecting the assessment of any Notes and whose inclusion in or removal from this Prospectus is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the rights attaching to the Notes, the Issuer shall prepare an amendment or supplement to this Prospectus or publish a replacement Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Historical consolidated financial information

The consolidated financial information in this Prospectus as at and for the years ended 31 December 2013, 2012 and 2011 has been extracted from the 2013 Annual Accounts which have been prepared in accordance with IFRS and are audited by Ernst & Young Accountants LLP. See "Financial Information".

Financial information presented in the Prospectus

Operating result (before tax)

Operating result (before tax) as presented in "Business Description of NN Group N.V." is a non-GAAP financial measure and not a measure of financial performance under IFRS. Because it is not determined in accordance with IFRS, the operating result as presented by NN may not be comparable to other similarly titled measures of performance of other (insurance) companies.

Although NN believes that the disclosure of operating result (before tax) by segment improves the ability of investors to assess the operational performance of NN, there are certain limitations on the usefulness of this supplemental non-GAAP financial measure. For example, operating result does not include indirect returns (capital gains and revaluations) of assets that are marked-to-market through the profit and loss account, such as public and private equity as well as real estate. NN has significant investments in such assets and indirect returns (capital gains and revaluations) on these investments, apart from direct returns such as dividends and rental income, are usually a consideration to invest in these asset classes. Operating result (before tax) will still fluctuate due to one-off or seasonal items that are not directly related to financial market conditions although not distinct from the ordinary activities of NN. Examples are adjustments to provisions for policyholder benefits or claims, triggered by natural catastrophes (non-life insurance) or changes in actuarial assumptions such as surrender and mortality rates (life insurance).

Calculation of operating result

Operating result (before tax) is used by NN to evaluate the financial performance of the business segments of the ongoing operations. 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 risk of NN (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. These investments include debt and equity securities (including fixed income and equity funds), private equity (< 20 per cent. ownership), real estate funds as well as loans quoted in active markets.
- *Revaluations*: revaluations on assets marked-to-market through the profit and loss account. These investments include private equity (associates), real estate (property and associates), derivatives (i.e. interest rate swaps, foreign exchange hedges) unrelated to product hedging programmes and direct equity hedges.
- *Market and other impacts*: these impacts mainly comprise the change in the provision for guarantees on separate account pension contracts (net of hedging) in the Netherlands, the equity-related and other deferred acquisition costs unlocking for Japan Closed Block VA as well as the accounting volatility related to the reinsurance of minimum guaranteed benefits of Japan Closed Block VA.

Result on divestments and discontinued operations: result before tax related to divested operations, including the result from disposal groups classified as discontinued operations as well as the result from classification of disposal groups as discontinued operations.

Special items before tax: (material) items of income or expense that arise from events or transactions that are clearly distinct from the ordinary business activities of NN and therefore are not expected to recur frequently or regularly. This includes, for instance, rebranding costs, restructuring expenses, goodwill impairments, results related to early retirement of debt and gains/losses from employee pension plan amendments or curtailments.

Allocated equity

NN evaluates the efficiency of the operational deployment of its shareholder's equity by calculating return on equity. The distribution of net assets over the business segments is impacted by accounting policies, including consolidation principles that are determined by legal rather than economic ownership. Therefore, NN calculates allocated equity per segment to determine the part of the Issuer's shareholder's equity that is economically deployed by the segments. Allocated equity as presented in "Business Description of NN Group N.V." is a non-GAAP financial measure that is not a measure under IFRS. Each segment's allocated equity is calculated as that segment's net assets, i.e. the balance of total assets and total liabilities under IFRS, adjusted for the following items:

- ***minority interests***: third party minority interests in fully consolidated subsidiaries of the Issuer are subtracted from the net assets of the relevant segment(s);
- ***investments in subsidiaries of the Issuer***: intercompany investments of the Issuer in the shareholder's equity of fully consolidated subsidiaries that are part of the segments are eliminated to avoid double counting;
- ***goodwill and other intangibles***: goodwill and other intangibles (excluding software and value of business acquired) that are accounted for centrally in the segment Other are allocated (back) to the segment(s) where they were originated; and
- ***proprietary investment companies (private equity and real estate)***: the net assets related to investments by the segments in jointly owned proprietary investment companies (i.e. Parcom Capital B.V. and Rei Investment 1 B.V.) are re-allocated to the segments on a proportional basis to reflect their economic ownership. In the financial accounting, these companies are fully consolidated by the operations of Netherlands Life, as NN Life is the majority owner of the investment companies.

Except for the elimination of the minority interests, the re-allocations of the segments' net assets have no impact on the total net assets of NN.

Rebranding from ING to the NN brand

Over the years, the Nationale-Nederlanden, ING Insurance and ING Investment Management businesses have built leading positions in Europe and Japan. In 2014, these businesses came together under the holding company name NN Group. After the successful IPO of NN Group in July 2014, which represented the final step in becoming a standalone company separate from ING Groep, the businesses will be rebranded in line with the NN brand identity. The operational and legal entity rebranding will take place in 2015 and will be supported by marketing campaigns in the various markets in 2015 and 2016. Over these two years, NN expects to incur rebranding expenses of approximately EUR 135 million in total, which will be reported as special items, with the majority of rebranding activities expected to be completed in 2015.

In this Prospectus, several of NN's subsidiaries and parts of its business are already described with the "NN" name, while in practice the (legal entity) name of the relevant subsidiary or part of the business still includes the “ING” name (for example NN Belgium, NN Japan and NN Re). The current (legal entity) names of NN’s subsidiaries or parts of its business are set out in “Definitions”.

Rounding adjustments and currency

Certain figures contained in this Prospectus have been subject to rounding adjustments. Accordingly, in certain instances the sum of the numbers in a column or row of a table contained in this Prospectus may not conform exactly to the total figure given for that column or row.

Unless otherwise indicated, financial information relating to NN is presented in euro.

OVERVIEW OF THE PROGRAMME

The following overview is qualified in its entirety by the remainder of this Prospectus.

Issuer:	NN Group N.V.
Description:	Debt Issuance Programme
Size:	Up to €3,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
Arranger:	Deutsche Bank AG, London Branch
Dealers:	Deutsche Bank AG, London Branch The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Prospectus to "Permanent Dealers" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "Dealers" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Fiscal Agent:	The Bank of New York Mellon
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "Series") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "Tranche") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms (the "Final Terms").
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.
Form of Notes:	The Notes may be issued in bearer form ("Bearer Notes") or in registered form ("Registered Notes") only. Each Tranche of Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in "—Selling Restrictions" below), otherwise such

	Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as "Global Certificates".
Clearing Systems:	Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer.
Initial Delivery of Notes:	On or before the issue date for each Tranche, if the relevant Global Note is a NGN or the relevant Global Certificate is held under the NSS, the Global Note or Global Certificate will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, if the relevant Global Note is a CGN or the relevant Global Certificate is not held under the NSS, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Global Notes or Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system, provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.
Currencies:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers.
Maturities:	Any maturity, subject to compliance with all relevant laws, regulations and directives.
Specified Denomination:	Definitive Notes will be in such denominations as may be specified in the relevant Final Terms save that: (i) in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes); and (ii) unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention

	of section 19 of the Financial Services and Markets Act 2000 ("FSMA") will have a minimum denomination of £100,000 (or its equivalent in other currencies).
Fixed Rate Notes:	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
Floating Rate Notes:	Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the relevant ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or (ii) by reference to LIBOR or EURIBOR as adjusted for any applicable margin. Interest periods will be specified in the relevant Final Terms.
Zero Coupon Notes:	Zero Coupon Notes (as defined in "Terms and Conditions of the Notes") may be issued at their nominal amount or at a discount to it and will not bear interest.
Interest Periods and Interest Rates:	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.
Redemption:	The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Taxation:	This Prospectus includes a general summary of certain Dutch tax considerations relating to an investment in the Notes. See the "Taxation" section of this Prospectus. Such summary may not apply to a particular holder of Notes or to a particular issue and does not cover all possible tax considerations. In addition, the tax treatment may change before the maturity, exercise or termination date of Notes. Any potential investor should consult his own tax adviser for more information about the tax consequences of acquiring, owning and disposing of Notes in its particular circumstances.

Redemption by Instalments:	The Final Terms issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.
Optional Redemption:	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and, if so, the terms applicable to such redemption.
Status of Notes:	The Notes will constitute unsubordinated and unsecured obligations of the Issuer, as described in "Terms and Conditions of the Notes—Status".
Negative Pledge:	None
Cross Default:	None
Ratings:	The Issuer is rated A- by Standard & Poor's and Baa2 by Moody's. Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Early Redemption:	Except as provided in "—Optional Redemption" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "Terms and Conditions of the Notes—Redemption, Purchase and Options".
Withholding Tax:	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of The Netherlands, unless the withholding is required by law. In such event, the Issuer shall, subject to customary exceptions (including the ICMA Standard EU Tax exemption Tax Language), pay such additional amounts as shall result in receipt by the Noteholder of such amounts as would have been received by it had no such withholding been required, all as described in "Terms and Conditions of the Notes—Taxation".
Governing Law:	Dutch
Listing and Admission to Trading:	Application has been made to list Notes issued under the Programme and to admit them to trading on Euronext Amsterdam or as otherwise specified in the relevant Final Terms, and references to listing shall be construed accordingly. As specified in the relevant Final Terms, a Series of Notes may be unlisted.
Selling Restrictions:	The United States, the United Kingdom, The Netherlands and Japan. See "Subscription and Sale".

The Issuer is Category 2 for the purposes of Regulation S under the Securities Act, as amended.

The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor United States Treasury Regulation section, including, without limitation, regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010) (the "D Rules") unless (i) the relevant Final Terms states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (or any successor United States Treasury Regulation section, including, without limitation, regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010) (the "C Rules") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are issued pursuant to an Agency Agreement (as amended or supplemented as at the Issue Date, the "Agency Agreement") dated 2 March 2015 between the Issuer, The Bank of New York Mellon as fiscal agent and the other agents named in it. The fiscal agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below, respectively, as the "Fiscal Agent", the "Paying Agents" (which expression shall include the Fiscal Agent), the "Registrar", the "Transfer Agents" and the "Calculation Agent(s)". The Noteholders (as defined below), the holders of the interest coupons (the "Coupons") relating to interest-bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "Talons") (the "Couponholders") and the holders of the receipts for the payment of instalments of principal (the "Receipts") relating to Notes in bearer form of which the principal is payable in instalments are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

As used in these terms and conditions (the "Conditions"), "Tranche" means Notes which are identical in all respects.

Copies of the Agency Agreement are available for inspection at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents.

1 Form, Denomination and Title

The Notes are issued in bearer form ("Bearer Notes") or in registered form ("Registered Notes"), in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Instalment Note or a combination of any of the foregoing, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("Certificates") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "Register"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate), and no person shall be liable for so treating the holder.

In these Conditions, "Noteholder" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "holder" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2 No Exchange of Notes and Transfers of Registered Notes

(a) **No Exchange of Notes**: Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) **Transfer of Registered Notes**: One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) **Exercise of Options or Partial Redemption in Respect of Registered Notes**: In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) **Delivery of New Certificates**: Each new Certificate to be issued pursuant to Conditions 2 (b) or (c) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 5(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent (as defined in the Agency Agreement) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "business day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) **Transfer Free of Charge**: Transfers of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) **Closed Periods**: No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 5(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

3 Status

The Notes and the Receipts and Coupons constitute unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

4 Interest and other Calculations

(a) **Interest on Fixed Rate Notes**: Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 4(f).

(b) **Interest on Floating Rate Notes**:

(i) *Interest Payment Dates*: Each Floating Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 4(f). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention*: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the

Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes*: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "ISDA Rate" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon;

(y) the Designated Maturity is a period specified hereon; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity", "Reset Date" and "Swap Transaction" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

(y) if the Relevant Screen Page is not available, or if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page, or if sub-paragraph (x)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest

Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(C) Linear Interpolation

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period, provided, however, that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"Applicable Maturity" means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

(c) **Zero Coupon Notes**: Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 5(b)i).

(d) **Accrual of Interest**: Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 4 to the Relevant Date (as defined in Condition 7).

(e) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding**:

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 4(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph, Condition 4(e)(ii).

(ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (provided that, if the eighth significant figure is a 5 or greater, the seventh significant shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes, "unit" means the lowest amount of such currency that is available as legal tender in the country of such currency.

(f) **Calculations**: The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(g) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts**: The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 4(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 9, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(h) **Definitions**: In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"Business Day" means:

1. in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

2. in the case of euro, a day on which the TARGET System is operating (a "TARGET Business Day"); and/or

3. in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"Day Count Fraction" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "Calculation Period"):

1. if "Actual/Actual" or "Actual/Actual - ISDA" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

2. if "Actual/365 (Fixed)" is specified hereon, the actual number of days in the Calculation Period divided by 365;

3. if "Actual/365 (Sterling)" is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

4. if "Actual/360" is specified hereon, the actual number of days in the Calculation Period divided by 360;

5. if "30/360", "360/360" or "Bond Basis" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30.

6. if "30E/360" or "Eurobond Basis" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30.

7. if "30E/360 (ISDA)" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

8. if "Actual/Actual-ICMA" is specified hereon,

if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"Determination Period" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"Determination Date" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s).

"Euro-zone" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"Interest Accrual Period" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Period Date and each successive period beginning on and including an Interest Period Date and ending on but excluding the next succeeding Interest Period Date.

"Interest Amount" means:

1. in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

2. in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"Interest Commencement Date" means the Issue Date or such other date as may be specified hereon.

"Interest Determination Date" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business

Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

"Interest Period" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified hereon.

"Interest Period Date" means each Interest Payment Date unless otherwise specified hereon.

"ISDA Definitions" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

"Rate of Interest" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

"Reference Banks" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

"Reference Rate" means the rate specified as such hereon.

"Relevant Screen Page" means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or replacement page, section, caption, column or other part of a particular information service).

"Specified Currency" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

"TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(i) **Calculation Agent**: The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the inter-bank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

5 Redemption, Purchase and Options

(a) **Redemption by Instalments and Final Redemption:**

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 5, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(b) **Early Redemption:**

(i) Zero Coupon Notes:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note upon redemption of such Note pursuant to Condition 5(c), Condition 5(d) or Condition 5(e) or upon it becoming due and payable as provided in Condition 9 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 5(c), Condition 5(d) or Condition 5(e) or upon it becoming due and payable as provided in Condition 9 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 4(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) *Other Notes*: The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 5(c), Condition

5(d) or Condition 5(e) or upon it becoming due and payable as provided in Condition 9, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) **Redemption for Taxation Reasons**: The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or, at any time (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 5(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of The Netherlands (in the case of payment by the Issuer) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 5(c), the Issuer shall deliver to the Fiscal Agent a certificate duly signed on behalf of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

(d) **Redemption at the Option of the Issuer**: If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon), redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 5(b) above)), together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 5.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) **Redemption at the Option of Noteholders**: If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon), redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 5(b) above)), together with interest accrued to the date fixed for redemption.

To exercise such option, the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("Exercise Notice") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) **Purchases**: The Issuer and its Subsidiaries as defined in the Agency Agreement may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(g) **Cancellation**: All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

6 Payments and Talons

(a) **Bearer Notes**: Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 6(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 6(f)(vi)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. "Bank" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) **Registered Notes**:

(i) Payments of principal (which for the purposes of this Condition 6(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest (which for the purpose of this Condition 6(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "Record Date"). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first-named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

(c) **Payments in the United States**: Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Payments Subject to Laws**: All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 7. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) **Appointment of Agents**: The Fiscal Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Paying Agents, the Registrar, Transfer Agents and the Calculation Agent(s) act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) Paying Agents having specified offices in at least two major European cities, (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed and (vii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) **Unmatured Coupons and Receipts and unexchanged Talons**:

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes, those Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 8).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) **Talons**: On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 8).

(h) **Non-Business Days**: If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "business day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "Financial Centres" hereon and:

(i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day.

7 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by The Netherlands or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) **Other connection**: to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with The Netherlands other than the mere holding of the Note, Receipt or Coupon; or

(b) **Presentation more than 30 days after the Relevant Date**: presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day; or

(c) **Payment to individuals**: where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) **Payment by another Paying Agent**: (except in the case of Registered Notes) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used in these Conditions, "Relevant Date" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "principal" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 5 or any amendment or supplement to it, (ii) "interest" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 4 or any amendment or supplement to it and (iii) "principal" and/or "interest" shall be deemed to include any additional amounts that may be payable under this Condition.

Condition relating to FATCA

Notwithstanding any other provision in these Conditions, the Issuer shall be permitted to withhold or deduct any amounts imposed or required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (or any law implementing such an intergovernmental agreement) (a "FATCA Withholding Tax"), and the Issuer will have no obligation to pay additional amounts or otherwise indemnify a holder/an investor on account of any FATCA Withholding Tax deducted or withheld by the Issuer, any Paying Agent, the Registrar or any other party.

8 Prescription

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within five years from the date on which such payment first became due.

9 Events of Default

If any one or more of the following events shall have occurred and be continuing:

(a) default is made for more than 30 days in the payment of interest or principal in respect of the Notes; or

(b) the Issuer fails to perform or observe any of its other obligations under the Notes and such failure has continued for the period of 60 days next following the service on the Issuer of notice requiring the same to be remedied; or

(c) the Issuer is declared bankrupt, or the Issuer is granted a moratorium (*surseance van betaling*) or a declaration in respect of the Issuer is made to apply the emergency regulation (*noodregeling*) under Chapter 3, Section 3.5.5.1 of the Dutch Financial Supervision Act; or

(d) an order is made or an effective resolution is passed for the winding-up or liquidation of the Issuer unless this is done in connection with a merger, consolidation or other form of combination with another company, the terms of which merger, consolidation or combination (A) have the effect of the emerging or such other surviving company assuming all obligations contracted by the Issuer in connection with the Notes or (B) have previously been approved by an Extraordinary Resolution of the Noteholders,

then any Noteholder may, by written notice to the Issuer at the specified office of the Fiscal Agent, effective upon the date of receipt thereof by the Fiscal Agent, declare the Note held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 5(b)(ii)), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind, provided that the right to declare Notes due and payable shall terminate if the situation giving rise to it has been cured before the relevant notice has become effective.

10 Meeting of Noteholders and Modifications

(a) **Meetings of Noteholders**: The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia* (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent. or at any adjourned meeting not less than 25 per cent. in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Final Terms in relation to such Series.

(b) **Modification of Agency Agreement**: The Agent and the Issuer may, and the Noteholders hereby agree that the Agent and the Issuer may, without any further consent of the Noteholders or Couponholders being required, agree to:

(i) any modification (except as mentioned above) of the Agency Agreement which, in the opinion of the Issuer, is not materially prejudicial to the interests of the Noteholders; or

(ii) any modification of the Notes, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated.

Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

11 Substitution

(a) The Issuer may, and the Noteholders hereby irrevocably agree in advance that the Issuer may, without any further consent of the Noteholders or Couponholders being required, when no payment of principal of or interest on any of the Notes is in default, be replaced and substituted by any directly or indirectly wholly-owned subsidiary of the Issuer (the "Substituted Debtor") as principal debtor in respect of the Notes and the relative Coupons, provided that:

(i) such documents shall be executed by the Substituted Debtor and the Issuer as may be necessary to give full effect to the substitution (together the "Documents") and (without limiting the generality of the foregoing) pursuant to which the Substituted Debtor shall undertake in favour of each Noteholder and Couponholder to be bound by the Conditions and the provisions of the Agency Agreement as fully as if the Substituted Debtor had been named in the Notes, and the relative Coupons, the Agency Agreement as the principal debtor in respect of the Notes and the relative Coupons in place of the Issuer and pursuant to which the Issuer shall guarantee, which guarantee shall be unconditional and irrevocable, (the "Guarantee") in favour of each

Noteholder and each holder of the relative Coupons the payment of all sums payable in respect of the Notes and the relative Coupons;

(ii) the Documents shall contain a covenant by the Substituted Debtor and the Issuer to indemnify and hold harmless each Noteholder and Couponholder against all liabilities, costs, charges and expenses (provided that, insofar as the liabilities, costs, charges and expenses are taxes or duties, the same arise by reason of a law or regulation having legal effect or being in reasonable contemplation thereof on the date such substitution becomes effective) which may be incurred by or levied against such holder as a result of any substitution pursuant to this Condition and which would not have been so incurred or levied had such substitution not been made (and, without limiting the foregoing, such liabilities, costs, charges and expenses shall include any and all taxes or duties which are imposed on any such Noteholder or Couponholder by any political subdivision or taxing authority of any country in which such Noteholder or Couponholder resides or is subject to any such tax or duty and which would not have been so imposed had such substitution not been made);

(iii) the Documents shall contain a warranty and representation by the Substituted Debtor and the Issuer (a) that each of the Substituted Debtor and the Issuer has obtained all necessary governmental and regulatory approvals and consents for such substitution and the performance of its obligations under the Documents, and that all such approvals and consents are in full force and effect and (b) that the obligations assumed by each of the Substituted Debtor and the Issuer under the Documents are all valid and binding in accordance with their respective terms and enforceable by each Noteholder;

(iv) each stock exchange which has Notes listed thereon shall have confirmed that, following the proposed substitution of the Substituted Debtor, such Notes would continue to be listed on such stock exchange;

(v) the Substituted Debtor shall have delivered to the Fiscal Agent or procured the delivery to the Fiscal Agent of a legal opinion from a leading firm of local lawyers acting for the Substituted Debtor to the effect that the Documents constitute legal, valid and binding obligations of the Substituted Debtor, such opinion to be dated not more than three days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection by Noteholders and Couponholders at the specified office of the Fiscal Agent;

(vi) the Issuer shall have delivered to the Fiscal Agent or procured the delivery to the Fiscal Agent of a legal opinion from the internal legal adviser to the Issuer to the effect that the Documents (including the Guarantee) constitute legal, valid and binding obligations of the Issuer, such opinion to be dated not more than three days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection by Noteholders and Couponholders at the specified office of the Fiscal Agent; and

(vii) the Issuer shall have delivered to the Fiscal Agent or procured the delivery to the Fiscal Agent of a legal opinion from a leading firm of Dutch lawyers to the effect that the Documents (including the Guarantee) constitute legal, valid and binding obligations of the Substituted Debtor and the Issuer under Dutch law, such opinion to be dated not more than three days prior to the date of substitution of the Substituted Debtor for the Issuer and to be available for inspection by Noteholders and Couponholders at the specified office of the Fiscal Agent.

(b) In connection with any substitution effected pursuant to this Condition, neither the Issuer nor the Substituted Debtor need have any regard to the consequences of any such substitution for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and no Noteholder or Couponholder, except as provided in Condition 11(a)(ii), shall be entitled to claim from the Issuer or any Substituted Debtor under the Notes and the relative Coupons any indemnification or payment in respect of any tax or other consequences arising from such substitution.

(c) The Issuer shall be entitled, by notice to the Noteholders given in accordance with Condition 14, at any time to effect a substitution which does not comply with this Condition 11, provided that the terms of such substitution have been approved by an Extraordinary Resolution or to waive all and any rights to effect a substitution of the principal debtor pursuant to this Condition 11. Any such notice of waiver shall be irrevocable.

(d) Upon the execution of the Documents as referred to in paragraph (a) above, and subject to the notification as referred to in paragraph (f) below having been given, the Substituted Debtor shall be deemed to be named in the Notes and the relative Coupons as the principal debtor in place of the Issuer and the Notes and the relative Coupons shall thereupon be deemed to be amended to give effect to the substitution. The execution of the Documents shall operate to release the Issuer as issuer from all of its obligations as principal debtor in respect of the Notes and the relative Coupons, save that any claims under the Notes and the relative Coupons prior to release shall ensure for the benefit of Noteholders and Couponholders.

(e) The Documents shall be deposited with and held by the Fiscal Agent for so long as any Notes or Coupons remain outstanding and for so long as any claim made against the Substituted Debtor by any Noteholder or Couponholder in relation to the Notes or the relative Coupons or the Documents shall not have been finally adjudicated, settled or discharged. The Substituted Debtor and the Issuer shall acknowledge in the Documents the right of every Noteholder and Couponholder to the production of the Documents for the enforcement of any of the Notes or the relative Coupons or the Documents.

(f) Not later than 15 business days after the execution of the Documents, the Substituted Debtor shall give notice thereof to the Noteholders in accordance with Condition 14.

12 Replacement of Notes, Certificates, Receipts, Coupons and Talons

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that, if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13 Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes (so that, for the avoidance of doubt, references in these Conditions to “Issue Date” shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to "Notes" shall be construed accordingly.

14 Notices

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in The Netherlands (which is expected to be *Het Financieele Dagblad*). So long as the Notes are listed on any stock exchange, notices to holders of the Notes shall also be made as required under the rules of such stock exchange. If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 14.

15 Currency Indemnity

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition 15, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

16 Governing Law and Jurisdiction

(a) **Governing Law**: The Agency Agreement, the Notes, the Receipts, the Coupons, and the Talons, and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, the laws of The Netherlands.

(b) **Jurisdiction**: The courts of Amsterdam, the Netherlands are to have jurisdiction to settle any disputes that may arise out of or in connection with the Agency Agreement, any Notes, Receipts, Coupons or Talons and, accordingly, any legal action or proceedings arising out of or in connection with the Agency Agreement, any Notes, Receipts, Coupons or Talons may be brought in such courts.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

1 Initial Issue of Notes

If the Global Notes or the Global Certificates are stated in the applicable Final Terms to be issued in NGN form or to be held under the NSS (as the case may be), the Global Notes or the Global Certificates will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Depositing the Global Notes or the Global Certificates with the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Global notes which are issued in CGN form and Global Certificates which are not held under the NSS may be delivered on or prior to the original issue date of the Tranche to a Common Depositary.

If the Global Note is a CGN, upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the "Common Depositary") or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is a NGN, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

2 Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other permitted clearing system ("Alternative Clearing System") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

3 Exchange

3.1 Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Final Terms indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "Overview of the Programme—Selling Restrictions"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part, upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

3.2 Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under paragraph 3.4 below, in part for Definitive Notes:

(i) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or

(ii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal Agent of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

3.3 Permanent Global Certificates

If the Final Terms state that the Notes are to be represented by a permanent Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

(i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) if principal in respect of any Notes is not paid when due; or

(iii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph 3.3(i) or 3.3(ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

3.4 Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Final Terms) relating to Partly Paid Notes.

3.5 Delivery of Notes

If the Global Note is a CGN, on or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes or, if the Global Note is a NGN, the Issuer will procure that details of such exchange be entered pro rata in the records of the relevant clearing system. In this Prospectus, "Definitive Notes" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

3.6 Exchange Date

"Exchange Date" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days or, in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located.

4 Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

4.1 Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange

Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. Condition 6(e)(vii) will apply to the Definitive Notes only. If the Global Note is a NGN or if the Global Certificate is held under the NSS, the Issuer shall procure that details of each such payment shall be entered pro rata in the records of the relevant clearing system and, in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note or the Global Certificate will be reduced accordingly. Payments under a NGN will be made to its holder. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "business day" set out in Condition 6(h)(*Non-Business Days*).

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means Monday to Friday inclusive except 25 December and 1 January.

4.2 Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of five years from the date on which such payment first became due.

4.3 Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.)

4.4 Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

4.5 Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

4.6 Issuer's Option

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and, accordingly, no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) or any other Alternative Clearing System (as the case may be).

4.7 Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Fiscal Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, where the permanent Global Note is a CGN, presenting the permanent Global Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent, for notation. Where the Global Note is a NGN or where the Global Certificate is held under the NSS, the Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

4.8 NGN nominal amount

Where the Global Note is a NGN, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

4.9 Events of Default

Each Global Note provides that the holder may cause such Global Note, or a portion of it, to become due and repayable in the circumstances described in Condition 9 by stating in the notice to the Fiscal Agent the nominal amount of such Global Note that is becoming due and repayable. If principal in respect of any Note is not paid when due, the holder of a Global Note or Registered Notes represented by a Global Certificate may elect for direct enforcement rights against the Issuer under the terms of that Global Note to come into effect in relation to the whole or a part of such Global Note or one or more Registered Notes in favour of the persons entitled to such part of such Global Note or such Registered Notes, as the case may be, as accountholders with a clearing system. Following any such acquisition of direct rights, the Global Note or, as the case may be, the Global Certificate and the corresponding entry in the Register kept by the Registrar will become void as to the specified portion or Registered Notes, as the case may be. However, no such election may be made in respect of Notes represented by a Global Certificate unless the transfer of the whole or a part of the holding of Notes represented by that Global Certificate shall have been improperly withheld or refused.

4.10 Notices

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note. So long as the Notes are listed on any stock exchange, notices to holders of the Notes shall also be made as required under the rules of such stock exchange.

5 Electronic Consent and Written Resolution

While any Global Note is held on behalf of, or any Global Certificate is registered in the name of any nominee for, a clearing system, then:

(a) approval of a resolution proposed by the Issuer given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding (an "Electronic Consent" as defined in the Fiscal Agency Agreement) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the special quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and holders of Coupons, Talons and Receipts whether or not they participated in such Electronic Consent; and

(b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Fiscal Agency Agreement) has been validly passed, the Issuer shall be entitled to rely on consent or instructions given in writing directly to the Issuer by accountholders in the clearing system with entitlements to such Global Note or Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries, and provided that, in each case, the Issuer has obtained commercially reasonable evidence to ascertain the validity of such holding and has taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such amendment. Any resolution passed in such manner shall be binding on all Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, "commercially reasonable evidence" includes any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any other relevant clearing system, or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Notes. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The Issuer shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

USE OF PROCEEDS

The net proceeds from the issue of each Tranche of Notes will be applied by the Issuer for general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

BUSINESS DESCRIPTION OF NN GROUP N.V.

General

The Issuer is a public limited company (*naamloze vennootschap*) organised under Dutch law and incorporated on 29 March 2011 under the name ING Insurance Topholding N.V. On 28 February 2014, the Issuer entered into a legal merger with its wholly owned subsidiary ING Verzekeringen N.V. As a result of this merger, ING Verzekeringen N.V. ceased to exist by operation of law and the Issuer acquired all assets and liabilities of ING Verzekeringen N.V. under universal title of succession. On 1 March 2014, the legal merger became effective and the Issuer was renamed NN Group N.V.

The Issuer has its corporate seat in Amsterdam, the Netherlands, and its registered office at Amstelveenseweg 500, 1081 KL Amsterdam, the Netherlands, telephone number +31 (0)20 5415566. It is registered with the trade register held by the Chamber of Commerce under number 52387534. According to Article 3 of the Articles of Association, its objectives are to participate in, conduct the management of, finance and furnish personal or real security for the obligations of and provide services to other enterprises and institutions, of whatever kind, but in particular enterprises and institutions active in the insurance business, the credit business, investments and/or other financial services, as well as to perform all that which is related or may be conducive to the foregoing.

Share capital

The Issuer's authorised share capital amounts to EUR 168,000,000, divided into 700,000,000 ordinary shares and 700,000,000 preference shares, each with a nominal value of EUR 0.12. The Issuer's outstanding capital amounts to EUR 42,002,058.48, consisting of 350,017,154 ordinary shares, with a nominal value of EUR 0.12 each. The Issuer holds 8,333,333 ordinary shares, which it intends to cancel in due course, subject to shareholder authorisation. The rights of the shareholders are described in the Articles of Association.

At the date of this Prospectus, ING Groep holds a 54.6 per cent. stake in the Issuer. A foundation, Stichting Continuïteit NN Group, has been granted a call option by the Issuer. Stichting Continuïteit NN Group may not exercise the call option without the prior consent of ING Groep for so long as ING Groep's (direct or indirect) holding of Shares represents 30 per cent. or more of the issued Shares (excluding Preference Shares). On each exercise of the call option, Stichting Continuïteit NN Group is entitled to acquire from the Issuer up to a maximum corresponding with 100 per cent. of the issued share capital of the Issuer, excluding the Preference Shares as outstanding immediately prior to the exercise of the call option, less one share, from which maximum any Preference Shares already placed with the Stichting Continuïteit NN Group at the time of the exercise of the call option shall be deducted. Stichting Continuïteit NN Group may exercise its option right repeatedly, each time up to the aforementioned maximum.

At the date of this Prospectus, other major shareholders are RRJ Capital II Ltd. and Temasek Holdings (Private) Limited. Based on Dutch legislation, the holder of a substantial holding or short position that equals or exceeds 3 per cent. of the issued capital of an issuer, should notify the AFM. These notifications are subsequently included in a public register kept by the AFM.

History

NN's history dates to 1845. In that year Assurantie Maatschappij tegen Brandschade N.V., later renamed De Nederlanden van 1845 N.V. ("De Nederlanden"), commenced operations. De Nederlanden specialised in fire insurance. Shortly after its foundation, De Nederlanden expanded abroad and, through multiple acquisitions, became an all-lines insurance company in 1925. World War II made it almost impossible for De Nederlanden to operate its business. After the war, De Nederlanden and other insurance companies played an important role in the economic recovery and reconstruction of the Netherlands by providing financing. During the post-war years De Nederlanden expanded quickly due to economic growth in the Netherlands and through acquisitions.

The Nationale Levensverzekering-Bank N.V. ("Nationale") also prospered during the post-war years. Nationale was established in 1863 and specialised in life insurance with a focus on the Dutch domestic market. In 1916, Nationale added non-life insurance to its product portfolio. In 1932, Nationale and De Nederlanden entered into co-operation with respect to group life insurance. Like De Nederlanden, Nationale's business was significantly affected by World War II and was also instrumental in the post-war reconstruction. In 1956, Nationale expanded its non-life portfolio by acquiring insurance company Tiel-Utrecht. This acquisition made Nationale, for many years, the largest life insurer, the second largest non-life insurer, and as a result the largest insurance company overall in the Netherlands at that time.

In 1963, De Nederlanden and Nationale merged and formed Nationale-Nederlanden. This merger was in line with increased consolidation in the insurance industry and enabled the companies to remain competitive under changing market circumstances. From the 1960s to the 1980s, Nationale-Nederlanden extensively pursued acquisitions throughout the world, including major acquisitions in the United States, and started new operations in Europe and Asia.

In 1991, Nationale-Nederlanden merged with NMB Postbank Groep to form Internationale Nederlanden Groep (ING) after the legal restrictions on mergers between insurers and banks were lifted in the Netherlands in 1990. Since 1991, ING has developed from being a Dutch company with some international business to a multinational with Dutch roots. This was achieved through a mixture of organic growth as well as various large acquisitions. All of Nationale-Nederlanden's businesses in Europe and Japan were greenfield operations (except for Turkey and Belgium). These businesses were set up in emerging markets such as Poland, the Czech Republic and Hungary, as well as in developed markets such as Luxembourg and Japan. In the United States, Nationale-Nederlanden acquired the life operations of U.S. insurance companies ReliaStar and Aetna in 2000. These acquisitions also substantially increased the size and scope of ING's insurance activities in developing markets, making ING the largest international insurer in Latin America and the second largest international insurer in Asia.

In 2008 and 2009, as a consequence of the financial crisis, ING Groep, like other major financial institutions in the Netherlands, received aid from the Dutch State. As a condition to receiving approval from the EC for such state aid, ING Groep was required to develop and submit a restructuring plan to the EC, comprising, *inter alia*, the divestment of the insurance and investment management business, including the Issuer and its subsidiaries. The 2009 Restructuring Plan was approved by the EC in November 2009. Following the 2009 Restructuring Plan, the insurance and investment management businesses of ING (including NN) were operationally separated from ING as of 31 December 2010.

In November 2012, ING Groep and the Dutch State reached an agreement with the EC on certain amendments to the 2009 Restructuring Plan which were set out in the 2012 Restructuring Plan. The amendments extended the time horizon, increased the flexibility for the completion of divestments and adjusted other commitments set forth in the 2009 Restructuring Plan, in light of market conditions, the economic climate and more stringent regulation.

Pursuant to the 2009 and 2012 Restructuring Plans, ING divested a number of businesses around the world from 2011 to 2013, including divestments of insurance and investment management businesses in the United States, Latin America and Asia/Pacific (other than Japan).

In May 2013, ING Groep divested approximately 29 per cent. of its shareholding (which was indirectly held through NN) in ING U.S., its U.S.-based retirement, investment and insurance business, through an initial public offering in accordance with the 2012 Restructuring Plan. In preparation for a stand-alone future of NN, the interest in ING U.S. held by NN was transferred to ING Groep as at 30 September 2013.

In July 2013, part of the operations of WUB, comprising mainly specific mortgage, savings, investments and consumer credit activities, were transferred to NN Bank, in accordance with the 2012 Restructuring Plan.

In November 2013, ING Groep and the Dutch State reached an agreement with the EC on certain amendments to the 2012 Restructuring Plan which were set out in the 2013 Restructuring Plan. The 2013 Restructuring Plan accelerated the divestment timeline for NN by two years, as a result of which ING Groep is required to divest more than 50 per cent. of its shareholding in the Issuer before 31 December 2015 and the remaining interest before 31 December 2016. Pursuant to the 2013 Restructuring Plan, the Japan Life and Japan Closed Block VA businesses are permitted to be divested in line with the divestment timeline for NN and are thus permitted to remain part of NN. The requirement for ING Groep to divest more than 50 per cent. of its interest in the Issuer includes the requirement to (a) no longer have a majority of representatives on the Executive Board and (b) deconsolidate the Issuer's financial statements from ING Groep's financial statements in line with IFRS accounting rules.

Business

Overview

NN is an insurance and investment management group with leading positions in life and non-life insurance in the Netherlands, a strong life and pensions presence in a number of other European markets (such as Poland, Hungary and Romania) and in Japan and a growing position in Turkey. NN's insurance business is active in mature markets in Western Europe and Japan, as well as growth markets in CEE and Turkey. NN's investment management business offers its products and services globally through offices in several countries across Europe, the United States, the Middle East and Asia, with the Netherlands as its main investment management hub. NN offers a comprehensive range of retirement, life insurance, non-life insurance, investment management and, in the Netherlands, banking services to its retail, SME, corporate and institutional customers.

The product offering and the type of customers serviced within each country varies. See "Business Description of NN Group N.V.—Business Segments" below for further information on NN's specific product offerings and the type of customers serviced in each relevant jurisdiction. NN predominantly utilises a multi-channel approach to distribute its products and service its customers, allowing it to tailor the marketing and distribution of its products across different markets and customer segments. NN commits significant resources throughout its businesses to: (a) ensure strong partnerships with brokers, independent agents and banks, including ING Bank; (b) strengthen its tied agents network in most of the countries in which it operates outside of the Netherlands; and (c) build up direct channel capabilities.

Business Segments

Netherlands Life

General

In 2013, the Netherlands Life segment recorded EUR 3,240 million GWP, consisting of EUR 1,494 million in group life insurance and EUR 1,746 million in individual life insurance, representing 16 per cent. and 18 per cent., respectively, of NN's total GWP in 2013, and EUR 224 million of new business (measured by APE), representing 18 per cent. of NN's total APE in 2013. In 2013, the Netherlands Life segment had an operating result (before tax) of EUR 709 million, representing 55 per cent. of NN's total operating result (before tax) from ongoing business (excluding the Other segment) in 2013. As at 31 December 2013, the equity allocated to the Netherlands Life segment was EUR 9,491 million.

The Netherlands Life segment includes AZL and Parcom Capital Management. AZL provides pension administration and management services to primarily mid-sized and large company and industry-wide pension funds. Parcom Capital Management is a captive mid-market private equity firm active in the Benelux region through which NN invests part of its general account assets.

Products

The life insurance products offered by NN in the Netherlands range from standardised insurance products to tailor-made and sophisticated insurance products with a particular focus on group pensions. Life insurance products can be characterised as either traditional policies or unit-linked policies. Traditional policies are those products that have benefits primarily based on a guaranteed interest rate, sometimes combined with profit-sharing to the extent that certain thresholds are met. Thus, under traditional policies, NN bears the investment risk. Unit-linked policies have an investment basis and are mostly flexible in options and guarantees. Under pure unit-linked policies, the investment risk is borne by the policyholder. Unit-linked policies can also guarantee a minimum investment return or minimum accumulation to the policyholder at maturity, including death benefit. Further, NN provides hybrid forms of group pension products that combine elements of traditional and unit-linked life insurances within a single contract.

Life insurance products can also be characterised as general account or separate account products. For general account products, the underlying assets are invested in NN's general account and thus not attributable to a specific policyholder or liability. Within the general account, NN bears the investment risks related to assets backing the liability obligations. For separate account products, NN establishes and maintains a separate investment account to which funds are allocated in line with the relevant policy. Such investment account is thus separated from NN's general account and the investment risk is borne by the policyholder, although guarantees apply.

Netherlands Non-life

General

In 2013, the Netherlands Non-life segment recorded EUR 1,582 million GWP, representing 17 per cent. of NN's total GWP in 2013. In 2013, the Netherlands Non-life segment had an operating result (before tax) of EUR 79 million (including NN's wholly-owned insurance brokers Zicht and Mandema), representing 6 per cent. of NN's total operating result (before tax) from ongoing business (excluding the Other segment) in 2013. As at 31 December 2013, the equity allocated to the Netherlands Non-life segment was EUR 734 million. As at 31 December 2013, the Netherlands Non-life segment had EUR 3,323 million of technical reserves.

NN offers a broad range of non-life products under the NN brand and the ING brand. Under the Movir brand, NN offers individual disability insurance to specific target groups amongst medical and business professionals. Movir furthermore has a particular focus on claims management and claims prevention.

Products

NN offers a broad range of non-life products to retail, self-employed, SME and corporate customers in stand-alone as well as bundled form, with a focus on offering insurance bundles. NN's non-life products can be categorised as follows: (a) income/accident, comprising disability and accident (D&A) and travel insurance, and (b) property and casualty (P&C), comprising fire, motor and transport insurance and other insurances.

Insurance Europe

General

NN's Insurance Europe business comprises NN's business in CEE (which includes, for the purposes of the Insurance Europe segment, Poland, the Czech Republic, the Slovak Republic, Romania, Hungary, Bulgaria and Turkey) and in the rest of Europe (which includes, for the purposes of the Insurance Europe segment, Belgium, Spain, Greece and Luxembourg). The countries in which NN is active are a mixture of mature and growth markets.

Products

NN primarily offers life insurance (which includes healthcare insurance for Greece) through Insurance Europe. NN's life insurance products consist of traditional life insurance products, unit-linked life insurance products and protection products.

Japan Life

General

NN Japan commenced operations in 1986. NN Japan was the third largest provider of COLI products measured by APE with a market share of 9 per cent. in the financial year ended 31 March 2013 (source: internal estimate NN). In 2013, the Japan Life segment recorded EUR 2,322 million GWP, representing 24 per cent. of NN's total GWP in 2013, and EUR 493 million of new business (measured by APE), representing 40 per cent. of NN's total APE in 2013. In 2013, the Japan Life segment had an operating result (before tax) of EUR 161 million, representing 13 per cent. of NN's total operating result (before tax) from ongoing business (excluding the Other segment) in 2013. As at 31 December 2013, the equity allocated to the Japan Life segment was EUR 1,259 million.

Products

NN Japan primarily offers a range of recurring premium COLI products to SMEs and owners and employees of SMEs. Since its initial COLI product launch in 1991, NN Japan has consistently innovated and introduced several products to the Japanese COLI market, such as increasing term life insurance, insurance coverage in cases of cancer and term life insurance with long-term care benefits.

In addition, NN Japan offers, to a limited extent, single premium whole life insurance policies with healthcare benefits to affluent and mass affluent retail customers.

COLI products

COLI products are traditional life insurance policies that a company, typically an SME, takes out on the lives of executives or employees, whereby the company is both the policyholder and the beneficiary of the policy. COLI products are designed to address the protection, savings and retirement preparation needs of SMEs and owners and employees of SMEs in a tax-efficient manner. Premiums paid by SMEs are tax-deductible (e.g. 25 per cent. to 100 per cent.) depending on product type and other factors and the cash surrender value is taxed when paid out.

Investment Management

General

NN's investment management business, operating under the brand NN Investment Partners, provides a wide variety of actively managed international investment products, as well as advisory services to retail and institutional customers in all major asset classes and investment styles. In addition, NN Investment Partners manages most of the assets of NN's insurance businesses.

NN Investment Partners offers its products and services globally through offices in several countries across Europe, the United States, the Middle East and Asia, with the Netherlands as its main investment hub. NN Investment Partners is organised in nine specialist skills-based investment boutiques supported by a fully integrated infrastructure. NN Investment Partners' investment boutiques operate in the main asset classes: equity, fixed income, and money market.

Products and services

NN Investment Partners' investment management products and investment management and advisory services include the following:

- ***Investment funds***: NN Investment Partners manages 97 global investment funds, based in Luxembourg, which are open to both retail and institutional customers. These funds are distributed in up to 25 countries in Europe, Asia and Latin America. NN Investment Partners furthermore manages local investment funds in, amongst others, the Netherlands, Belgium, Poland, Greece, Japan and the Cayman Islands.
- ***Institutional mandates***: NN Investment Partners offers institutional customers individual portfolio management services, allowing them the opportunity to invest in tailored investment strategies through a segregated account.
- ***Fiduciary and advisory services***: NN Investment Partners provides fiduciary and advisory services to institutional customers, with a focus on the Dutch pension and insurance market. As part of its fiduciary offering, NN Investment Partners also offers asset manager selection and advisory services, from its offices in the Netherlands and Switzerland, to institutional customers, which are offered under the Altis brand.

Other

This segment comprises the business of NN Bank, the reinsurance business (representing NN Re, excluding the reinsurance of the Japan Closed Block VA portfolio and results from certain reinsurance arrangements regarding the life insurance business of NN Czech Republic and NN Hungary), the holding result and other results. The Other segment had an operating loss (before tax) of EUR 373 million in 2013. As at 31 December 2013, the equity allocated to the Other segment was EUR -1,104 million. The allocated equity of the Other segment mainly comprises the allocated equity of NN Bank (EUR 363 million) and the reinsurance business (EUR 449 million), as well as the cash capital position of the holding company (EUR 1,363 million) and other assets of the holding company (EUR 560 million) minus the corporate debt (EUR 3,892 million).

NN Bank

General

In 2011, NN Bank received a banking licence to offer banking products to retail customers in the Netherlands. This enabled NN to offer bank annuities through NN Bank as an alternative to its offering of individual life annuity products. In 2012, ING Groep, the Dutch State and the EC agreed in the 2012 Restructuring Plan that part of the commercial operations of WUB, primarily a mortgage bank owned by ING, were to be combined with NN Bank. As a result, certain savings, mortgage, investments and consumer credit activities of WUB were transferred to NN Bank since July 2013. Following this integration, NN Bank offers a range of banking products to retail customers in the Netherlands. In addition, NN Bank co-ordinates the distribution of NN's individual life and retail non-life insurance products in the Netherlands through intermediaries and NN's direct channel to enable a comprehensive product offering to retail customers in the Netherlands. As part of the 2012 Restructuring Plan, ING Groep has, amongst other commitments, committed to the EC to ensure that NN Bank will reach certain targets for mortgage production and consumer credit: (i) on an annual basis, and (ii) before the date on which ING Groep has divested more than 50 per cent. of its interest in the Issuer. A divestment of more than 50 per cent. of the Issuer as mentioned in this paragraph also means that ING Groep (a) no longer has a majority of representatives on the Executive Board and (b) has deconsolidated the Issuer's financial statements from ING Groep's financial statements in line with IFRS accounting rules. If the EC decides or requires so, these commitments may apply until 31 December 2015 or beyond. In 2013, NN Bank had an operating loss (before tax) of EUR 11 million. As at 31 December 2013, NN Bank's total assets were

EUR 7,420 million, of which NN Bank's mortgage loan portfolio was EUR 6,168 million. As at 31 December 2013, NN Bank's savings and deposits portfolio was EUR 5,769 million, consisting of EUR 4,140 million of savings and EUR 1,629 million of bank annuities. As at 31 December 2013, the equity allocated to NN Bank was EUR 363 million.

Products

NN Bank's banking product offering, with mortgages and savings as its key products, includes the following:

- Mortgages;
- Bank annuities (*banksparen*);
- Savings products;
- Consumer credit; and
- Retail investments.

In 2014, NN Bank has added credit cards to its product portfolio, in accordance with the EC Restructuring Plan.

NN Bank also acts as the co-ordinator for the distribution of NN's individual life and retail non-life products to enable a comprehensive product offering to retail customers in the Netherlands.

NN Re

General

NN Re is NN's internal reinsurer (with an A+ rating from Standard & Poor's for NN Re Netherlands which forms part of NN Re) located in the Netherlands. NN Re offers reinsurance to NN's insurance subsidiaries. NN Re reinsures, amongst others, the minimum guarantee obligations of the Japan Closed Block VA and (part of) the life insurance business of NN Czech Republic and NN Hungary. NN Re's in-force book does to a small extent include contracts with external parties, which are almost exclusively former ING companies, but these contracts are all discontinued for new business. In addition, NN Re also manages ING Reinsurance Company International Ltd. (IRCIL), a non-rated licensed reinsurance entity in Ireland which was incorporated in 1997 for the assumption of a closed block of structured settlement liabilities (monthly fixed annuity payments which will gradually run off in the period until 2055) from a third party. The underlying assets in respect of these liabilities are EUR 949 million and largely consist of U.S. corporate bonds as well as a receivable on NN Re Netherlands.

In the segment reporting, the results from the reinsurance arrangement regarding the Japan Closed Block VA portfolio are reported under the Japan Closed Block VA segment and the results from certain reinsurance arrangements regarding the life insurance business of NN Czech Republic and NN Hungary are reported under the Insurance Europe segment. The remaining reinsurance business of NN Re is reported under the Other segment. In 2013, the reinsurance business in the Other segment had an operating loss (before tax) of EUR 15 million. As at 31 December 2013, the equity allocated to the reinsurance business of NN Re reported under the Other segment was EUR 449 million.

Products

NN Re's core product is reinsurance. Reinsurance enables NN's insurance businesses to mitigate their risk, to reduce their claims/earnings volatility, and also to relieve their capital requirements to increase their underwriting capacity. NN Re aims to apply intra-group risk transfer to enhance NN's overall capital efficiency through improved risk diversification. NN Re also supports NN's insurance businesses in pricing, managing risk and developing new products.

NN Re offers reinsurance contracts for life as well as non-life insurance. For non-life insurance, the in-force business almost entirely relates to the Netherlands, Belgium and Spain. For life insurance, the portfolio is spread over all countries in which NN is active.

The largest portfolio of NN Re is the closed block SPVA portfolio of NN Japan, for which NN Re reinsures the minimum guarantee obligations, which are fully accounted for in the Japan Closed Block VA segment. See "Business Description of NN Group N.V.—Japan Closed Block VA" below for further information. NN Re also reinsures variable annuity policies sold by NN's Insurance Europe segment, in particular NN Belgium, Nationale-Nederlanden Spain and NN Hungary.

Risk management

NN Re manages its risks through ceding excess insurance risk to external reinsurers and hedging (a major part of) its market risks. The hedge objective of the variable annuity hedge programme is to mitigate market risks and to enter into positions with appropriately offsetting risk characteristics such as derivatives contracts.

Holding and other results

The holding result included in the Other segment comprises the interest paid on hybrids and debt, the amortisation of intangibles and the head office expenses that are not allocated to the business segments.

Japan Closed Block VA

The Japan Closed Block VA segment comprises NN's closed block SPVA individual life insurance portfolio in Japan. This portfolio consists of products sold predominantly from 2001 to 2009. During that time NN Japan was one of the largest providers of SPVA products in Japan. NN Japan's SPVA products contain substantial minimum guarantee obligations on the invested principal, and for some products an amount which may lock in at a higher guarantee level, with respect to the amount paid upon death of the policyholder or upon survival at the end of the investment period for certain product types. In 2009, NN Japan ceased the sale of SPVA products due to ongoing difficult economic conditions (particularly low interest rates in Japan) as well as the capital-intensive nature of SPVA products. NN Japan placed the portfolio in run-off and classified it as a closed block. The majority of the closed block SPVA portfolio is projected to run off relatively quickly due to the short-term maturity profile and outstanding policy life of the SPVA products. Approximately 90 per cent. of all SPVA policies are expected to have matured by the end of 2019.

Recent Developments

On 17 February 2015, the Issuer announced that ING Groep had agreed to sell 52 million ordinary shares of the Issuer at a price of EUR 24 per share. The transaction reduced ING Groep's stake in the Issuer from 68.1% to 54.6% immediately following the closing of the transaction on 20 February 2015. The Issuer has not received any proceeds from the offering. In connection with the offering, the Issuer has repurchased 8,333,333 ordinary shares from ING Groep at the offer price of EUR 24 per share for an aggregate amount of EUR 200 million. The Issuer has funded the share repurchase from its cash capital position. The impact to the solvency ratios of NN is expected to be immaterial. The Issuer intends to cancel the repurchased shares in due course, subject to shareholder authorisation.

Legal Proceedings

General

NN is involved in litigation and arbitration proceedings in the Netherlands and in a number of foreign jurisdictions, involving claims by and against NN which arise in the ordinary course of its business, including in connection with its activities as insurer, lender, broker-dealer, underwriter, issuer of securities and investor and its position as employer and taxpayer. In certain of such proceedings, very large or indeterminate amounts are sought, including punitive and other damages. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, the Issuer believes that some of the proceedings set out below may have, or have in the recent past had, a significant effect on the financial condition, profitability or reputation of the Issuer or NN.

Because of the geographic spread of its business, NN may be subject to tax audits in numerous jurisdictions at any point in time. Although the Issuer believes that it has adequately provided for its tax positions, the ultimate outcome of these audits may result in liabilities that are different from the amounts recognised.

Dutch unit-linked products

Since the end of 2006, unit-linked products (commonly referred to in Dutch as "*beleggingsverzekeringen*") have received negative attention in the Dutch media, from the Dutch Parliament, the AFM and consumer protection organisations. Costs of unit-linked products sold in the past are perceived as too high and Dutch insurers are in general being accused of being less transparent in their offering of such unit-linked products. The criticism on unit-linked products led to the introduction of compensation schemes by Dutch insurance companies that have offered unit-linked products. In 2008, NN's Dutch insurance subsidiaries reached an outline agreement with two main consumer protection organisations to offer compensation to their unit-linked policyholders where individual unit-linked policies had a cost charge in excess of an agreed maximum and to offer similar compensation for certain hybrid insurance products. At 31 December 2008, costs of the settlements were valued at EUR 365 million for which adequate provisions have been established and of which a substantial portion has been paid out. The remaining unpaid part of the provision as per 31 December 2013 is solely available to cover costs relating to the settlements agreed in 2008. A full agreement on implementation was reached in 2010 with one of the two main consumer protection organisations, with the second main consumer protection organisation signing its agreement in June 2012. In addition, NN's Dutch insurance subsidiaries announced additional measures (*flankerend beleid*) that comply with the "Best in Class" criteria as formulated on 24 November 2011 by the Dutch Minister of Finance. In December 2011 this resulted in an additional agreement on these measures with the two main consumer protection organisations. In 2012 almost all unit-linked policyholders were informed about the compensation. The agreements with the two consumer protection organisations are not binding on policyholders. Consequently, neither the implementation of the compensation schemes nor the additional measures offered by NN prevent individual policyholders from initiating legal proceedings against NN's Dutch insurance subsidiaries and making claims for damages.

In November 2013, the so-called "Vereniging Woekerpolis.nl", an association representing the interests of policyholders, initiated a so-called "collective action", requesting the District Court in Rotterdam to declare that NN's Dutch insurance subsidiaries sold products in the market, which are defective in various respects (e.g. on transparency regarding cost charges and other product characteristics, and included risks for which the insurer failed to warn, such as considerable stock depreciations, the inability to realise the projected final policy value, unrealistic capital projections due to difference in geometric versus arithmetic returns). NN's Dutch insurance subsidiaries have rejected these claims and will defend themselves in these proceedings.

Apart from the aforementioned "collective action", several other claim organisations and initiatives were established on behalf of policyholders, such as the organisation Wakkerpolis. This organisation primarily concentrates on the recovery of initial costs for policyholders, based on an interim ruling of the KiFiD issued on 13 May 2013 in an individual case. In this case, the KiFiD concluded that there is no contractual basis for charging initial costs (which are costs charged to the policy during a limited period of time). Apart from the initial costs, it can be derived from the interim ruling – in accordance with past rulings of the KiFiD – that an insurer is obliged to warn against the leverage and capital consumption effect (which is the effect caused by the dependency of life insurance premium on the value of the policy; the lower the value of the policy, the higher the life insurance premium). NN believes that this interim ruling is incorrect on several legal grounds.

In proceedings pending before the District Court in Rotterdam, the Court has upon request of the parties, including NN, submitted preliminary questions to the European Court of Justice to obtain clarity on principal legal questions with respect to cost transparency related to unit-linked policies. The main preliminary question being considered by the European Court of Justice is whether European law permits the application of information requirements based on general principles of Dutch law that extend beyond information requirements as explicitly prescribed by laws and regulations in force at the time the policy was written. Although the European Court does not decide on the applicable standards in specific cases and solely provides clarification on the interpretation of the applicable European directive, NN believes the ruling of the European Court of Justice can give clarification on this question of legal principle which is also the subject of other legal proceedings in the Netherlands. It is up to the Dutch courts to take the interpretation of the European Court of Justice into account in relevant proceedings, insofar as this interpretation can be reconciled with Dutch legislation applicable at the time the unit-linked products were sold. On 12 June 2014, the Attorney General to the European Court of Justice gave its non-binding advisory opinion to the European Court of Justice. It is expected that the European Court of Justice will render its judgment at the earliest in the first quarter of 2015.

Since 2012, the AFM requires insurers to reach out to (*activeren*) policyholders by informing them on the financial gap between the projected value of their policy and the target capital in respect of non-accumulating policies and an overview of possible improvements, to encourage and enable such policyholders to take steps to improve their personal situation. In October 2014, the AFM published a report (*Rapport Nazorg beleggingsverzekeringen*) which describes, among other things, the individual activation scores of insurers as per 30 June 2014. In the report, NN has reported an activation score of 89% in respect of non-accumulating policies and has committed to realise an ambition level of 90-95% before year-end 2014. NN currently plans to report the activation score in respect of non-accumulating policies in the first quarter of 2015.

NN's Dutch insurance subsidiaries have issued, sold or advised on approximately one million individual unit-linked policies. There has been for some time and there continues to be political, regulatory and public attention focused on the unit-linked issue in general. Elements of unit-linked policies are being challenged or may be challenged on multiple legal grounds in current and future legal proceedings. There is a risk that one or more of those legal challenges will succeed. The financial consequences of any of the aforementioned factors or a combination thereof can be substantial for the Dutch insurance business of NN and may affect NN, both financially and reputationally. However, these consequences cannot be reliably estimated or quantified at this point.

Belangenvereniging ING Directiepensioenen – ING Groep, the Issuer and certain of their Dutch subsidiaries

In July 2011, the Interest Group ING General Managers' Pensions (*Belangenvereniging ING-Directiepensioenen*), together with a number of individual retired Dutch general managers of ING Groep, the Issuer and certain of their Dutch subsidiaries, also instituted legal proceedings against ING Groep's decision not to provide funding for indexing Dutch general managers' pensions directly insured with Nationale-Nederlanden in 2010 and 2011. This claim was rejected by the district court of Amsterdam on 22 October 2012. An appeal was lodged against this court decision. It is not currently feasible to predict the ultimate outcome of these legal proceedings. The ultimate outcome may result in liabilities and provisions for such liabilities that are different from the amounts recognised. At this moment it is not practicable to provide an estimate of the (potential) financial effect of such proceedings.

Regulatory industry review

Following a broad industry review by the Dutch regulator DNB in 2013, the Issuer's subsidiary Nationale-Nederlanden Schadeverzekering Maatschappij N.V. was instructed to strengthen its policies and procedures in respect of sanctions-related customer screening and related compliance matters. Nationale-Nederlanden Schadeverzekering Maatschappij N.V. implemented DNB's recommendations to DNB’s satisfaction.

Investment management business in South Korea

In July 2013, the investment management business in South Korea was agreed to be sold to Macquarie Group. The transaction closed on 2 December 2013. In the fourth quarter of 2014, a provision was recognised following a claim letter that NN Group received from Macquarie Group under the share purchase agreement. NN Group is in continuous dialogue with Macquarie Group and is considering its position.

Material Agreements

The following are agreements (other than those entered into in the ordinary course of business) that have been entered into by any member of NN within the two years immediately preceding the date of this Prospectus which are material or which have been entered into by any member of NN at any other time and which contain provisions under which any member of NN has an obligation or entitlement that is material to NN’s ability to meet its obligations to the Noteholders in respect of the Notes and the acquisitions and disposals of or by any of the Issuer’s direct or indirect subsidiaries which have taken place in 2014 and 2013.

Acquisitions and disposals

Disposals closed in 2014

- ***ING-BOB Life***: On 8 July 2013, ING Insurance International II B.V. as seller and ING Verzekeringen N.V. (the Issuer’s predecessor) as seller’s guarantor entered into a share sale and purchase agreement with BNP Paribas Cardif, the insurance arm of BNP Paribas, as purchaser providing for the sale of ING Insurance International II B.V.’s 50 per cent. shareholding in its Chinese insurance joint venture ING-BOB Life Insurance Company Ltd. The transaction closed on 30 December 2014.

- ***ING Investment Management India***: On 15 May 2014, ING Investment Management India entered into a transaction agreement with Birla Sun Life Asset Management Company Limited, pursuant to which ING Investment Management India will transfer to Birla Sun Life Asset Management Company Limited the rights to manage and administer the schemes of ING Mutual Fund and the portfolio management accounts managed by ING Investment Management India. The transaction closed on 27 October 2014.

- ***ING Investment Management Taiwan***: On 10 January 2014, ING Insurance International II B.V. and ING Insurance Asia N.V., wholly-owned indirect subsidiaries of the Issuer, entered into a share sale and purchase agreement, as sellers, with Alpha Magnus Investments Limited, Skyline Investments Holding Limited, Professional Analytics and Services Limited and Nomura Asset Management Co. Ltd. for the sale of ING Securities Investment & Trust Company Limited, NN’s Taiwanese asset management business. The transaction does not have a material impact on the Issuer’s results. The transaction closed on 18 April 2014.

- ***SulAmérica***: On 18 November 2013, ING Insurance International B.V. as seller entered into a sale and purchase agreement with Swiss Re Group as purchaser on the sale of an 11.3 per cent. direct stake in SulAmérica, further reducing its stake in the Brazilian insurer to 10 per cent. The sale was completed in January 2014. ING Insurance International B.V. sold 37.7 million SulAmérica units for a total cash consideration of EUR 176 million (at then prevailing exchange rates). The transaction resulted in a net gain to NN of EUR 56 million, which represents the difference between the book value and the fair value for both the 11.3 per cent. stake in scope of the transaction with Swiss Re and the approximate 10 per cent. stake retained by NN.

In preparation for a stand-alone future of NN, the approximate 10 per cent. stake in SulAmérica held by ING Insurance International B.V. was transferred to ING Groep as at 31 January 2014. The stake was distributed by ING Insurance International B.V. to its sole shareholder ING Verzekeringen N.V., followed by a distribution by ING Verzekeringen N.V. to its sole shareholder ING Insurance Topholding N.V. (old name; now: the Issuer), followed by a distribution by ING Insurance Topholding N.V. to its sole shareholder ING Groep. All distributions were made at the expense of the freely distributable reserves at carrying value in the amount of EUR 139 million. Since 31 January 2014, NN has no interest in SulAmérica.

NN has been indemnified by ING Groep against any liabilities arising from these disposals (see "Business Description of NN Group N.V.—Material Agreements—Indemnification and allocation agreement" below).

Acquisition closed in 2013

- ***WestlandUtrecht Bank***: Pursuant to the 2012 Restructuring Plan, ING Groep committed to combine the commercial operations of WUB with the retail banking activities of Nationale-Nederlanden. In order to fulfil this commitment, Nationale-Nederlanden Bank N.V. acquired all outstanding shares in WestlandUtrecht Effectenbank N.V. and Nationale-Nederlanden Financiële Diensten B.V. from WUB and certain business assets. In addition, Nationale-Nederlanden Bank N.V. acquired certain business assets from WUB, which mainly included IT systems. The total consideration for the transferred entities and assets amounted to approximately EUR 34 million. Furthermore, all rights relating to certain pre-selected mortgage receivables with a nominal value of EUR 3.8 billion, which were originated by Nationale-Nederlanden Levensverzekering Maatschappij N.V. for the account and risk of Nationale-Nederlanden Hypotheekbedrijf N.V., were sold and transferred to Nationale-Nederlanden Bank N.V. for book value. These transactions were closed on 1 July 2013 and have been agreed in several agreements between the relevant entities. These agreements contain certain limited representations and warranties regarding the transferred entities and mortgage receivables in favour of NN Bank, in line with the nature of the transaction as an inter-company transaction.

  In addition, Nationale-Nederlanden Bank N.V. and Nationale-Nederlanden Levensverzekering Maatschappij N.V., on the one hand, and WUB, Nationale-Nederlanden Hypotheekbedrijf N.V and RVS Hypotheekbank N.V., on the other hand, entered into a co-operation agreement on 1 July 2013. This agreement covers the management of mortgage loans that Nationale-Nederlanden Bank N.V. performs on behalf of Nationale-Nederlanden Hypotheekbedrijf N.V. and RVS Hypotheekbank N.V. Furthermore, this agreement deals with the process and valuation criteria for recurring transfers of mortgage receivables from Nationale-Nederlanden Hypotheekbedrijf to NN Bank as of 1 July 2013. This agreement has been entered into for an indefinite time and can be terminated for the first time from 31 December 2015, with a prior notice period of 18 months.

Disposals closed in 2013

- ***Insurance business in Hong Kong, Macau and Thailand***: On 19 October 2012, ING Insurance Asia N.V. as seller and ING Verzekeringen N.V. as seller's guarantor entered into a share sale and purchase agreement with PCG Financial Services Holdings (Singapore) PTE Ltd., as the purchaser, providing for the sale of ING Insurance Asia N.V.'s shares in ING Life Public Company Ltd., Siam Sattabodee Ltd., Siam Siharaj Ltd. and ING Management Holdings (HK) Ltd., which are companies that comprise the Issuer's life insurance, general insurance, pension and financial planning units in Hong Kong and Macau, and its life insurance operation in Thailand. The combined consideration amounted to USD 2.1 billion (approximately EUR 1.6 billion) in cash. The transaction closed on 28 February 2013. A net gain of EUR 945 million was recognised by ING Insurance Asia N.V. in 2013.

- ***ING Vysya Life Insurance***: On 19 March 2013, ING Insurance International B.V. as seller entered into a share sale and purchase agreement with its joint venture partner Exide Industries Ltd., providing for the sale of its 26 per cent. shareholding in the joint venture ING Vysya Life Insurance Company Ltd. to Exide Industries Ltd. On 22 March 2013, the sale was completed. Since it was expected that the transaction would result in a loss, the related goodwill was reduced by EUR 15 million in the fourth quarter of 2012.

- ***Malaysian investment management business***: On 12 December 2012, IFB Management Holdings Sdn Bhd, a wholly owned subsidiary of the Issuer as seller entered into a share sale and purchase agreement with Kenanga Investors Berhad (Kenanga Investors), a wholly owned subsidiary of K & N Kenanga Holdings Berhad, as purchaser, providing for the sale of its 70 per cent. shareholding stake in ING Funds Berhad (IFB), which was the Issuer's investment management business in Malaysia. Tab Inter-Asia Services Sdn Berhad also agreed to sell its 30 per cent. shareholding in IFB to Kenanga Investors. The sale was completed in April 2013.

- ***Thai investment management unit***: On 19 November 2012, ING Investment Management (Asia Pacific) B.V. as seller and ING Verzekeringen N.V. as seller's guarantor entered into a share sale and purchase agreement with UOB Asset Management Ltd., as purchaser, providing for the sale of all outstanding shares in lNG Funds (Thailand) Company Ltd., the Issuer's investment management business in Thailand. The transaction was completed in May 2013. Under the terms agreed, NN received a total cash consideration of EUR 10 million.

- ***ING Financial Services Private Limited***: In July 2013, ING Investment Management (Asia Pacific) B.V., an indirect wholly owned subsidiary of the Issuer, completed the sale of its interest in the joint venture ING Financial Services Private Limited to Hathway Investments. The share sale and purchase agreement regarding ING Financial Services Private Limited had been signed on 17 April 2013.

- ***SulAmérica***:

    - *Larragoiti family*: On 27 February 2013, ING Insurance International B.V. as seller entered into a sale and purchase agreement with the Larragoiti family, a majority shareholder and NN's joint venture partner in SulAmérica, as purchaser, for the sale of approximately 7 per cent. of SulAmérica's outstanding shares. The transaction, which also included a share-swap, was completed in December 2013. The existing shareholders' agreement with the Larragoiti family was terminated at closing.

    - *International Finance Corporation*: On 16 May 2013, ING Insurance International B.V. as seller entered into a sale and purchase agreement with International Finance Corporation as purchaser regarding the sale of approximately 7.9 per cent. of SulAmérica's outstanding shares for a total consideration of approximately EUR 140 million. This sale was completed in June 2013.

NN has been indemnified by ING Groep against any liabilities arising from these disposals (see "Business Description of NN Group N.V.—Material Agreements—Indemnification and allocation agreement" below).

- ***KB Life***: On 19 April 2013, ING Insurance International II B.V. as seller entered into a share sale and purchase agreement with its joint venture partner KB Financial Group, Inc., one of Korea's leading financial institutions, as purchaser, providing for the sale of ING Insurance International II B.V.'s 49 per cent. shareholding in Korean insurance venture KB Life Insurance Company Ltd. to KB Financial Group. The sale was completed in June 2013. ING Insurance International II B.V. received a total cash consideration of KRW 166.5 billion (approximately EUR 115 million at then prevailing exchange rates).

- ***ING U.S.***: In May 2013, ING Insurance International B.V. sold 25 per cent. of the common stock in the initial public offering of ING U.S., its U.S.-based retirement, investment and insurance business. The shares began trading on 2 May 2013 on the New York Stock Exchange under the ticker symbol "VOYA". The initial public offering of ING U.S. consisted of both a primary component of shares offered by ING U.S. and a secondary component of shares offered by NN. The total offering amounted to USD 1,385 million. In May 2013, the underwriters exercised in full their overallotment option. The sale of additional shares further reduced NN's ownership in ING U.S. from 75 per cent. to approximately 71 per cent. of the common stock of ING U.S.

  In preparation for a stand-alone future of NN, approximately 71 per cent. of the common stock of ING U.S. held by ING Insurance International B.V. was transferred to ING Groep as at 30 September 2013. Following a transfer of the legal title of the common stock to ING Verzekeringen N.V., the common stock was distributed by ING Verzekeringen N.V. to its sole shareholder ING Insurance Topholding N.V. (old name; now: the Issuer), followed by a distribution of the common stock by ING Insurance Topholding N.V. to ING Groep. Both distributions were made at the expense of the freely distributable reserves. NN's shareholding in ING U.S. of approximately 71 per cent. was transferred to ING Groep at carrying value by way of a distribution to ING Groep at the expense of the Issuer's freely distributable reserves in the amount of EUR 6,827 million, lowering the Issuer's shareholder's equity by the same amount. Since 30 September 2013, NN has no interest in ING U.S.

  NN has been indemnified by ING Groep against any liabilities arising from the initial public offering of ING U.S. (see "Business Description of NN Group N.V.—Material Agreements—Indemnification and allocation agreement").

- ***ING Australia Holdings Limited***: On 30 September 2013, ING Insurance International B.V. sold and transferred its shares in ING Australia Holdings Limited to ING Bank at net asset value and assigned to ING Bank its outstanding debt, including accrued interest, with ING Australia Holdings Limited.

- ***Mexican mortgage business***: On 14 June 2013, Conglomerado de Valores, S.A. de C.V. as seller, an indirect wholly owned subsidiary of the Issuer, entered into a share sale and purchase agreement with Banco Santander (México) S.A. as purchaser providing for the sale of its shares in ING Hipotecaria, S.A. de C.V., the Issuer's mortgage business in Mexico, to Banco Santander (México) S.A. The transaction completed in November 2013.

  NN has been indemnified by ING Groep against any liabilities arising from this disposal (see "Business Description of NN Group N.V.—Material Agreements—Indemnification and allocation agreement" below).

- ***ING Life Korea***: On 26 August 2013, ING Insurance International II B.V. as seller and ING Verzekeringen N.V. as seller's guarantor entered into a share sale and purchase agreement with a subsidiary of MBK Partners, a Korean private equity firm, as purchaser providing for the sale of the seller's shares in ING Life Insurance (Korea) Ltd., the Issuer's indirect wholly owned life insurance business in South Korea, for a total purchase price of approximately KRW 1.84 trillion (EUR 1.27

billion at then prevailing exchange rates). The sale was completed in December 2013. As part of the transaction, Korean Investment Fund B.V., a wholly owned indirect subsidiary of the Issuer, acquired an indirect stake of approximately 10 per cent. in ING Life Korea, equivalent to approximately EUR 80 million (at then prevailing exchange rates). ING Groep has entered into a brand licensing agreement that will allow ING Life Korea to continue to operate under the ING brand for a maximum period of five years. In addition, over the course of one year, ING Insurance International II B.V. will continue to provide technical support and advice to ING Life Korea. The transaction resulted in an after-tax loss for NN of approximately EUR 989 million, of which EUR 944 million was recorded in the third quarter of 2013.

- ***China Merchants Fund***: On 24 October 2012, ING Asset Management B.V. as seller entered into a share sale and purchase agreement with its joint venture partners China Merchants Bank Co., Ltd. and China Merchants Securities Co., Ltd. as purchasers providing for the sale of ING Asset Management B.V.'s 33.3 per cent. shareholding in China Merchants Fund, an investment management joint venture. Under the terms agreed, ING Asset Management B.V. received a total cash consideration of approximately EUR 98 million. The transaction completed in December 2013. ING Asset Management B.V. realised a net gain of approximately EUR 59 million.

- ***Investment management business in South Korea***: On 9 July 2013, ING Insurance International B.V., a wholly-owned subsidiary of the Issuer, as seller and ING Verzekeringen N.V. as seller's guarantor entered into a share sale and purchase agreement with Macquarie Group, an Australia-based global provider of financial services, providing for the sale of the shares in ING Investment Management Korea, Ltd., ING Insurance International B.V.'s investment management business in South Korea to Macquarie Group. The transaction completed in December 2013.

ING Pension Fund agreement

As of 1 January 2014, two new defined contribution pension plans for Dutch employees, one for employees of ING Bank and one for employees of NN, replaced the pensions plans for employees of ING Groep as provided for by the ING Pension Fund which closed on 31 December 2013. All benefits as accrued up to 31 December 2013 in the ING Pension Fund have been made paid-up (*premievrije aanspraken*).

In February 2014, several subsidiaries of ING Groep, including several subsidiaries of the Issuer, the ING Pension Fund and the trade unions (CNV Dienstenbond, FNV Finance and De Unie) reached agreement on the transfer of all future funding and indexation obligations towards the ING Pension Fund. The agreement contains the following:

- ING fully financed the indexation 2014, being 0 per cent. for the active employees of NN and 0.9 per cent. for the inactive employees (pensioners and deferred members) based upon the price index. The total payment (including the ING indexation) amounted to EUR 330 million of which EUR 39 million for NN.

- As of 1 January 2015, the paid-up benefits with the ING Pension Fund will be indexed as follows:

    - the accrued benefits of deferred participants and pensioners inactive on 31 December 2013 will conditionally be indexed on a yearly basis in line with the development of the consumer price index up to 3 per cent.;

    - the accrued benefits of deferred participants and pensioners who terminated their employment with ING or NN before 1 January 2002, who were entitled to a conditional indexation in line with the structural raises of the general bank collective labour agreement, will be conditionally indexed in line with the structural raises of the NN collective labour agreement; and

- in order to make it possible for the ING Pension Fund to index the accrued benefits of the participants active on 31 December 2013 on a yearly basis with the percentage of the structural raises of the NN collective labour agreement as long as these participants remain in service of NN, ING paid the ING Pension Fund a one-time lump sum of EUR 170 million of which EUR 51 million for NN.

- ING paid a one-time lump sum to the ING Pension Fund of EUR 379 million to be released from its future financial obligations (i.e. the obligation to finance indexations as of 1 January 2015 and the obligation to restore the coverage ratio of the ING Pension Fund) towards the ING Pension Fund of which EUR 121 million for NN. Consequently, ING Bank and NN are no longer jointly and severally liable for the funding of the obligations of the ING Pension Fund.

- ING will reduce the employees' own contribution to the pension premium under the new defined contribution plan by a total amount of approximately EUR 80 million over a six-year period of which a total amount of approximately EUR 20 million for NN.

The removal of the net pension asset related to the ING Pension Fund from NN's balance sheet, NN's contribution to the payment to the ING Pension Fund of EUR 211 million and the reduction of the employees' own contribution to the pension premium result in a charge to be recognised, as a special item, in the results over the first quarter of 2014.

Relationship agreement

On 10 June 2014, the Issuer and ING Groep entered into the Relationship Agreement. The Relationship Agreement contains certain arrangements regarding the continuing relationship between the Issuer and ING Groep. The Relationship Agreement is effective as of 2 July 2014 and shall, except for certain specific provisions, terminate if and when ING Groep, directly or indirectly, holds less than 15 per cent. of the issued Ordinary Shares in the Issuer. The full text of the Relationship Agreement is available on the Issuer's website (www.nn-group.com).

Pursuant to the Relationship Agreement, certain resolutions of the Executive Board require the prior approval of the Supervisory Board, including the affirmative vote of the ING Groep Nominated Supervisory Board Members for so long as ING Groep's (direct or indirect) holding of Ordinary Shares represents 30 per cent. or more of the issued Shares (excluding Preference Shares). These resolutions relate, amongst others, to the following matters: (a) any acquisition, disposition or securitisation of securities, assets or liabilities (including through reinsurance transactions) with a value of at least 25 per cent. of the issued capital plus reserves of the Issuer or involving a consideration or book value greater than EUR 300 million, other than transactions involving assets invested in the Issuer's consolidated general account and approved in accordance with the Issuer's established policies and procedures to monitor invested assets, (b) amendments of the Articles of Association, (c) any issuance, acquisition, disposal or reduction of Shares or shares of any of the Issuer's subsidiaries (the latter, other than intra-group transactions), except for customary exceptions, (d) any issuance or acquisition of any listed debt security of NN with a maturity greater than one year (other than intra-group transactions), in each case involving an aggregate principal amount exceeding EUR 500 million, (e) any incurrence of a debt obligation of, or entry into any other senior or subordinated funding by NN with a maturity greater than one year and a principal amount greater than EUR 500 million (other than intra-group transactions), (f) investments requiring an amount equal to at least 25 per cent. of the amount of issued capital with reserves of NN or an amount greater than EUR 300 million, (g) the listing or delisting of securities on a securities exchange, with the exception of listing or delisting debt securities on Euronext Amsterdam, (h) making use of any of the initiative rights (a) to (e) and (i) any implementation, amendment or rescission of certain identified policies with respect to capital management, risk management or dividend. In addition thereto, there are also certain resolutions of the Executive Board that require (i) the prior approval of the

Supervisory Board but do not require the affirmative vote of ING Groep Nominated Supervisory Board Members or (ii) the prior approval of the General Meeting.

In addition to these approval rights, the following topics, amongst others, are addressed in the Relationship Agreement:

- initiative rights of the General Meeting in relation to certain resolutions;
- exchange of certain business and financial information between the Issuer and ING Groep;
- implementation of certain identified policies required to regulate the business of NN as well as certain financial reporting policies and policies related to capital management, risk management and dividend;
- co-operation by the Issuer in view of the requirements of the EC as included in its decisions or any other requirements imposed by the EC on ING Groep as a consequence of the state aid received by ING Groep up to and including 5 November 2013, that may apply to NN;
- right of ING Groep to recommend a candidate for the appointment of one supervisory board member at Nationale-Nederlanden Bank N.V; and
- certain anti-dilution arrangements.

Warrant agreement

On 10 June 2014, the Issuer and ING Groep entered into a warrant agreement in which the Issuer has agreed, in conjunction with the Share Offering, to issue warrants to ING Groep that will be exercisable for a number of Ordinary Shares up to 9.99 per cent. in the aggregate of the issued Ordinary Shares immediately following 7 July 2014, being the date on which the Ordinary Shares offered in the Share Offering were received by investors (the "Settlement Date") or 34,965,000 Ordinary Shares (the "Warrants"). The initial exercise price of the Warrants is equal to 200 per cent. of the Offer Price. The Warrants will include certain customary anti-dilution provisions which provide for adjustments of both the initial exercise price and the number of Ordinary Shares to which the holder of the Warrants is entitled to in case of corporate events which lead to an immediate impact on the share price. The Warrants will be exercisable starting on the first anniversary of the Settlement Date and expire on the tenth anniversary of the Settlement Date. ING Groep commits to not exercise its Warrant before the third anniversary of the Settlement Date. Upon exercise of a Warrant, the holder thereof will receive the number of Ordinary Shares into which such Warrant is exercisable against payment of the aggregate exercise price.

The holders of Warrants will not be entitled, by virtue of holding Warrants, to vote, to consent, to receive dividends, if any, to receive notices as Shareholders with respect to any General Meeting or to exercise any rights whatsoever as the Shareholders until they become holders of the Ordinary Shares issued upon exercise of the Warrants.

The Warrants will not be subject to any contractual restrictions on transfer. However, initially, the transfer of the Warrants by ING Groep will be subject to a 180-days lock-up arrangement entered into by ING Groep with the underwriters of the Share Offering.

Indemnification and allocation agreement

ING Groep and NN entered into an indemnification and allocation agreement, in which ING Groep has agreed to indemnify NN for certain liabilities that relate to the business of or control over certain (former) U.S. and Latin American subsidiaries of the Issuer in the period until 30 September 2013 or, if the relevant subsidiary was divested by NN after 30 September 2013, such later date of divestment. These liabilities mainly include contingent liabilities that may arise as a result of the initial public offering of ING U.S. (such as prospectus liability) and the sales of the Latin American businesses (such as claims under warranties and other buyer protection clauses), the liabilities for the claims concerning the performance of certain interest-sensitive products that were sold by a former subsidiary of NN in Mexico and the claims (which were settled in March 2014) filed by the purchaser of certain Mexican subsidiaries of NN claiming that the financial condition of the subsidiaries was not accurately depicted.

Memorandum of understanding regarding present and future collaboration

On 15 April 2014, the Issuer, ING Groep and ING Bank entered into a memorandum of understanding reflecting a framework for present and future collaboration between the three parties. The parties have agreed that any commercial arrangements between the parties may only be entered into at arm's length terms. The memorandum of understanding relates to, amongst others: (a) payments and cash management arrangements and cash correspondence business; and (b) financial markets and treasury activities. The framework stipulates that the Issuer and ING Bank shall use best efforts to ultimately at the end of 2014 formalise their intentions to enable the Issuer to act as one of the anchor investors for ING Bank-sponsored illiquid infrastructure lending opportunities in the Netherlands, Belgium and Luxembourg. Also, provided certain conditions are met, the Issuer agreed to provide ING Bank a right of first refusal to become part of the group of lead/(joint) book runner banks for any future placements or refinancings in the syndicated loan or debt capital markets, and to grant ING Bank a global co-ordinator role in future equity capital markets transactions. Some of the above mentioned arrangements are linked to ING Groep still holding a certain percentage of shares in the Issuer.

EXECUTIVE BOARD, MANAGEMENT BOARD AND SUPERVISORY BOARD

General

The Issuer has a two-tier board structure consisting of an executive board (*raad van bestuur*) (the "Executive Board") and a supervisory board (*raad van commissarissen*) (the "Supervisory Board"), in accordance with the Dutch mitigated company regime (*gemitigeerd structuurregime*) as set forth in the provisions of articles 2:152 up to and including 2:161a and article 2:164 of the Dutch Civil Code, which the Issuer voluntarily applies.

The Executive Board is the executive body and is entrusted with the management, the strategy and the operations of the Issuer under the supervision of the Supervisory Board. In performing its duties, the Executive Board must carefully consider and act in accordance with the interests of the Issuer and the business connected with it, taking into consideration the interest of all the stakeholders of the Issuer. The Executive Board is required to keep the Supervisory Board informed, to consult with the Supervisory Board on important matters and to submit certain important decisions to the Supervisory Board for its approval as more fully described below. At least once a year, the Executive Board must provide the Supervisory Board with a written report outlining the Issuer's strategy, the general and financial risks faced by the Issuer and the Issuer's management and control system.

Members of the Executive Board

As at the date of this Prospectus, the Executive Board consists of Lard Friese and Delfin Rueda. The table below sets out the details of each of the members of the Executive Board as at the date of this Prospectus. The term of each of the members of the Executive Board will terminate at the close of the General Meeting of shareholders in the year indicated below.

The business address of the members of the Executive Board is the registered address of the Issuer at Amstelveenseweg 500, 1081 KL Amsterdam, the Netherlands.

The members of the Executive Board were appointed to the Executive Board on 1 March 2014. Before that, each member of the Executive Board was a member of the management board of the Issuer's former subsidiary ING Verzekeringen N.V. as from 1 October 2013, which entity ceased to exist as a result of the legal merger between the Issuer and ING Verzekeringen N.V.; see "Business Description of NN Group N.V.—General".

The following table sets forth the composition of the Executive Board as at the Date of this Prospectus.

Executive Board

Name	Position	Date of appointment	Termination /reappointment date
E. (Lard) Friese	Chairman, chief executive officer (CEO)	1 March 2014	2017
Delfin Rueda Arroyo	Chief financial officer (CFO)	1 March 2014	2018

E. (Lard) Friese was appointed as member and vice-chairman of the Executive Board on 1 March 2014 and has been chairman and CEO as from the Settlement Date. From 1 October 2013 until the legal merger on 1 March 2014 between the Issuer and its subsidiary ING Verzekeringen N.V., he was a member and vice-chairman of the management board of ING Verzekeringen N.V. He has been a member of the management board of ING Insurance Eurasia N.V., a direct subsidiary of the Issuer, ("ING Insurance Eurasia") since 30 March 2011. He was appointed to the management board of ING Verzekeringen N.V. on 1 January 2011 until 3 November 2011. Mr Friese is responsible for the business strategy, performance and day-to-day operations of NN.

Delfin Rueda Arroyo was appointed to the Executive Board as chief financial officer on 1 March 2014. From 1 October 2013 until the legal merger between the Issuer and its subsidiary ING Verzekeringen N.V. he was a member of the management board and chief financial officer of ING Verzekeringen N.V. Mr Rueda has served as chief financial officer and as a member of the management board of ING Insurance Eurasia from 1 November 2012. Mr Rueda is responsible for NN's finance departments and investor relations.

Potential conflicts of interest

The Issuer is not aware of any actual or potential conflicts of interest between any duties owed by the members of the Executive Board to the Issuer and any private interests or other duties that such persons may have. There is no family relationship between any member of the Executive Board, the Management Board or the Supervisory Board.

Conflicting interests are considered to be absent and are not reported if a member of the Executive Board obtains financial products and services, other than loans, which are provided by any subsidiary of ING Groep or the Issuer in the ordinary course of business on terms that apply to all employees. In connection with the foregoing, "loans" does not include financial products in which the granting of credit is of a subordinated nature, e.g. credit cards and overdrafts in current accounts, because of a lack of materiality.

Management Board

General

The Management Board is entrusted with the day-to-day management of the Issuer and the overall strategic direction of the Issuer. In performing its duties, the Management Board must carefully consider and act in accordance with the interests of the Issuer and its associated business, taking into consideration the interests of all the stakeholders of the Issuer. The members of the Management Board acknowledge that the authority to manage the Issuer is vested in the Executive Board as a whole, notwithstanding that each of the members of the Management Board is responsible and accountable towards the Executive Board and within the Management Board for the specific tasks as assigned. The Management Board, through the CEO, is required to keep the Supervisory Board informed on important matters and the members of the Management Board will attend Supervisory Board meetings if so requested.

Members of the Management Board

The following table sets forth the composition of the Management Board as at the date of this Prospectus. The Management Board consists of the following members:

Management Board

Name	Position
E. (Lard) Friese	Chairman, chief executive officer (CEO)
Delfin Rueda Arroyo	Chief financial officer (CFO)
Stan Beckers	Chief executive officer NN Investment Partners
S.D. (Doug) Caldwell	Chief risk officer (CRO)
Dorothee E. de Graaff – van Vredenburch	Chief change and organisation (CCO)
David Knibbe	Chief executive officer Netherlands Insurance
Robin Spencer	Chief executive officer International Insurance

The business address of all members of the Management Board is the registered address of the Issuer at Amstelveenseweg 500, 1081 KL Amsterdam, the Netherlands.

All members of the Management Board have been appointed to the Management Board as from the Settlement Date for an indefinite period of time, except for Mr Spencer who has been appointed to the Management Board as of 1 August 2014 for an indefinite period of time.

For information in respect of the members of the Executive Board who are also members of the Management Board, Mr Friese and Mr Rueda, see "Business Description of NN Group N.V.—Executive Board—Management Board and Supervisory Board—Members of the Executive Board".

S.D. (Doug) Caldwell has been appointed to the Management Board as chief risk officer as from the Settlement Date. From 1 October 2013 until the Settlement Date, he first was a member of the management board and chief risk officer of ING Verzekeringen N.V. and, after the legal merger between the Issuer and its subsidiary ING Verzekeringen N.V., of the Issuer. Since 1 December 2012, he has been chief risk officer and a member of the management board of ING Insurance Eurasia. Mr Caldwell is responsible for NN's overall risk framework with direct responsibility for the risk management departments.

Dorothee E. de Graaff – van Vredenburch has been appointed to the Management Board as chief change and organisation as from the Settlement Date. From 1 October 2013 until the Settlement Date, she first was a member of the management board of ING Verzekeringen N.V. and, after the legal merger between the Issuer and its subsidiary ING Verzekeringen N.V., of the Issuer. Mrs Van Vredenburch has also been a member of the management board of ING Insurance Eurasia since 1 November 2012. Mrs Van Vredenburch is responsible for NN's corporate development, HR and communications.

Stan Beckers has been appointed to the Management Board as chief executive officer NN Investment Partners as from the Settlement Date. From 1 July 2013 until the Settlement Date, he was a member of the management board and chief executive officer of ING Investment Management International. Mr Beckers is responsible for NN's investment management business.

David Knibbe has been appointed to the Management Board as from the Settlement Date. From 1 January 2011 until 1 September 2014, he served as chief executive officer of ING Insurance Europe. With effect from 1 September 2014, Mr Knibbe was appointed as chief executive officer of Netherlands Insurance. In his role as chief executive officer Netherlands Insurance, Mr Knibbe is responsible for NN's insurance and banking business in the Netherlands. He is also responsible for IT globally.

Robin Spencer has been appointed to the Management Board as from 1 August 2014. On 1 September 2014, he assumed the responsibility for International Insurance in the Management Board as chief executive officer International Insurance. In his role as chief executive officer International Insurance, Mr Spencer is responsible for NN's Insurance Europe, Japan Life, Japan Closed Block VA and NN Re.

Potential conflicts of interest

The Issuer is not aware of any actual or potential conflicts of interest between any duties owed by the members of the Management Board to the Issuer and any private interests or other duties that such persons may have. There is no family relationship between any member of the Executive Board, the Management Board or the Supervisory Board.

Conflicting interests are considered to be absent and are not reported if a member of the Management Board obtains financial products and services, other than loans, which are provided by any subsidiary of ING Groep or the Issuer in the ordinary course of business on terms that apply to all employees. In connection with the foregoing, "loans" does not include financial products in which the granting of credit is of a subordinated nature, e.g. credit cards and overdrafts in current accounts, because of a lack of materiality.

Supervisory Board

Powers, responsibilities and functioning

The Supervisory Board is responsible for supervising the management of the Executive Board and the general course of affairs of the Issuer and the business connected with it and providing advice to the Executive Board. The Supervisory Board may, on its own initiative, provide the Executive Board with advice and may request any information from the Executive Board that it deems appropriate. In performing its duties, the Supervisory Board must consider and act in accordance with the interests of the Issuer and the business connected with it, taking into consideration the relevant interests of all the stakeholders of the Issuer. The Executive Board must timely provide the Supervisory Board with the information necessary for the performance of its duties. At least once a year, the Executive Board must provide the Supervisory Board with a written report outlining the Issuer's strategy, the general and financial risks faced by the Issuer and the Issuer's management and control system.

The Supervisory Board will appoint one of its members as chairman. The Supervisory Board is assisted by the company secretary.

Members of the Supervisory Board

As at the date of this Prospectus, the Supervisory Board consists of Mr Holsboer, Mrs Van Rooy, Mr Hamers, Mr Flynn and Mr Nagel, Mr Hauser and Mr Schoen. The term of each of the members of the Supervisory Board will terminate at the close of the General Meeting in the year indicated below.

The business address of all members of the Supervisory Board is the registered address of the Issuer at Amstelveenseweg 500, 1081 KL Amsterdam, the Netherlands.

Mr Holsboer and Mrs Van Rooy were appointed to the Supervisory Board on 1 March 2014. Before that, Mr Holsboer and Mrs Van Rooy were members of the supervisory board of the Issuer's former subsidiary ING Verzekeringen N.V., which entity ceased to exist as a result of the legal merger between the Issuer and ING Verzekeringen N.V., see "Business Description of NN Group N.V.—General". All other members of the Supervisory Board have been appointed to the Supervisory Board as from the Settlement Date.

Supervisory Board

Name	**Position**	**Date of appointment**	**Termination /reappointment date**
J.H. (Jan) Holsboer	Chairman (independent)	1 March 2014	2016
Y.C.M.T. (Yvonne) van Rooy	Member (independent, nominated by the Works Council)	1 March 2014	2016
R.A.J.G. (Ralph) Hamers	Member (nominated by ING Groep)	Settlement Date	2017
P.G. (Patrick) Flynn	Member (nominated by ING Groep)	Settlement Date	2017
W.F. (Wilfred) Nagel	Member (nominated by ING Groep)	Settlement Date	2017
H.J. (Heijo) Hauser	Member (independent)	Settlement Date	2018
J.W. (Hans) Schoen	Member (independent)	Settlement Date	2018

J.H. (Jan) Holsboer was appointed to the Supervisory Board on 1 March 2014. From 14 May 2012 until the legal merger between the Issuer and its subsidiary ING Verzekeringen N.V., he was a member of the supervisory board of ING Verzekeringen N.V. From 14 May 2012 until the Settlement Date, Mr Holsboer was also a member of the supervisory board of ING Groep, ING Bank and ING Insurance Eurasia. Previously, Mr Holsboer was a member of the executive board of Univar N.V. and from 1990 until 1999 he was a member of the executive boards of Nationale Nederlanden and ING Groep. Besides being a member of the Supervisory Board, Mr Holsboer is non-executive (senior independent) director of PartnerRe Ltd (Bermuda), chairman of the supervisory board of TD Bank N.V., non-executive director of YAFA S.p.A. (Turin, Italy), a member of the supervisory board of YAM Invest N.V., chairman of the supervisory board of Vither Hyperthermia B.V. and chairman of the board of Foundation Imtech.

Y.C.M.T (Yvonne) van Rooy was appointed to the Supervisory Board on 1 March 2014. From 14 May 2012 until the legal merger between the Issuer and its subsidiary ING Verzekeringen N.V., she was a member of the supervisory board of ING Verzekeringen N.V. From 14 May 2012 until the Settlement Date, Mrs Van Rooy was also a member of the supervisory board of ING Groep, ING Bank and ING Insurance Eurasia. Besides being a member of the Supervisory Board, Mrs Van Rooy is chairperson of Nederlandse Vereniging van Ziekenhuizen (Dutch association of hospitals), a member of the board of Trust Foundation Koninklijke Brill N.V., a member of the board of Royal Concertgebouw Orchestra, a member of the advisory board of Nexus Institute, a member of the board of Stichting Instituut GAK, a member of the advisory board of Stichting Nationaal Fonds Kunstbezit and a member of the Public Interest Committee of PwC. Mrs Van Rooy's previous positions include, among others, Minister of Foreign Trade, member of the Dutch Parliament and member of the European Parliament. She was also President of Utrecht University.

R.A.J.G. (Ralph) Hamers has been appointed as a member of the Supervisory Board as from the Settlement Date. He has served as chairman of the Executive Board since 1 October 2013. Mr Hamers is also a member of the executive boards of ING Groep, ING Bank and, until the legal merger between the Issuer and its subsidiary ING Verzekeringen N.V., he was a member of the management board of ING Verzekeringen N.V., all since 13 May 2013. Until the Settlement Date, Mr Hamers was also a member of the executive boards of ING Insurance Eurasia. On 1 October 2013, he succeeded Mr Hommen as chairman and chief executive officer of these companies. Mr Hamers has been employed by ING since 1991 in various positions, most recently as chief executive officer of ING Belgium and Luxembourg from 2011 to 2013 and as head of Network Management for Retail Banking Direct and International from 2010 to 2011.

P.G. (Patrick) Flynn has been appointed as a member of the Supervisory Board as from the Settlement Date. From 29 March 2011 until the Settlement Date, he was a member of the management board of the Issuer and until 1 October 2013 he was also chief financial officer of the Issuer. From 27 April 2009 until the legal merger between the Issuer and its subsidiary ING Verzekeringen N.V., he was a member of the management board of ING Verzekeringen N.V. Mr Flynn also serves as a member and chief financial officer on the executive boards of ING Groep and ING Bank. From 30 March 2011 until the Settlement Date, he was also a member of the management board of ING Insurance Eurasia.

W.F. (Wilfred) Nagel has been appointed as a member of the Supervisory Board as from the Settlement Date. From 5 October 2011 until the Settlement Date, he was a member of the management board of the Issuer and until 1 October 2013 he was also chief risk officer of the Issuer. From 5 October 2011 until the legal merger between the Issuer and its subsidiary ING Verzekeringen N.V., he was a member of the management board of ING Verzekeringen N.V. Mr Nagel also serves as a member and chief risk officer on the executive boards of ING Groep and ING Bank from 14 May 2012 and 5 October 2011, respectively. From 5 October 2011 until the Settlement Date, he was also a member of the management board of ING Insurance Eurasia. Mr Nagel has been employed by ING since 1991 in various positions.

H.J. (Heijo) Hauser has been appointed as member of the Supervisory Board as from the Settlement Date. From January 1991 until June 2011, Mr Hauser was managing director of Towers Watson in Germany.

J.W. (Hans) Schoen has been appointed as member of the Supervisory Board as from the Settlement Date. From September 1977 until October 2008, Mr Schoen worked at KPMG Accountants and was a partner from January 1989 onwards. He specialised in providing audit and advisory services to domestic and foreign insurance companies. Other former significant positions of Mr Schoen include member and chairman of several insurance industry committees of the NIVRA and the Dutch Accounting Standard Boards, member of the governmental advice committee Traas in respect of the financial and prudential reporting obligations of Dutch insurance companies, and member of several advisory committees of the IASC/IASB on insurance company financial reporting requirements. After having been a member of the Technical Expert Group of EFRAG in Brussels (Belgium) for six years, he became the part-time acting director of research of this group.

Potential conflicts of interest

Other than the fact that the three ING Groep Nominated Supervisory Board Members are not independent within the meaning of the Code, because they are former members of the Executive Board of the Issuer, the

Issuer is not aware of any actual or potential conflicts of interests between any duties owed by the members of the Supervisory Board to the Issuer and any private interests or other duties that such person may have. There is no family relationship between any member of the Executive Board, the Management Board or the Supervisory Board.

Conflicting interests are considered to be absent in case of a relationship that a member of the Supervisory Board may have with any subsidiary of ING Groep or the Issuer as an ordinary, private individual, with the exception of any loans that may have been granted.

The Supervisory Board has established from among its members four committees: the Audit Committee, the Risk Committee, the Nomination and Corporate Governance Committee and the Remuneration Committee. The function of these committees is to prepare the discussion and decision-making of the Supervisory Board.

TAXATION

General

The comments below are of a general nature and are not intended to be exhaustive. They assume that there will be no substitution of the Issuer and do not address the consequences of any such substitution (notwithstanding that such substitution may be permitted by the terms and conditions of the Notes). Any Noteholders who are in doubt as to their own tax position should consult their professional advisers.

The Netherlands

General

The following summary outlines certain principal Dutch tax consequences of the acquisition, holding, settlement, redemption and disposal of the Notes, but does not purport to be a comprehensive description of all Dutch tax considerations that may be relevant. For the purposes of Dutch tax law, a Noteholder may include an individual or entity who does not have the legal title of these Notes, but to whom nevertheless the Notes or the income thereof is attributed based on specific statutory provisions or on the basis of such individual or entity having an interest in the Notes or the income thereof. This summary is intended as general information only and each prospective investor should consult a professional tax adviser about the tax consequences of the acquisition, holding, settlement, redemption and disposal of the Notes.

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

This summary does not address the Dutch tax consequences for:

(a) investment institutions (*fiscale beleggingsinstellingen*);

(b) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other entities that are not subject to or exempt from Dutch corporate income tax;

(c) holders of Notes holding a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Issuer and holders of Notes of whom a certain related person holds a substantial interest in the Issuer. Generally speaking, a substantial interest in the Issuer arises if a person, alone or, where such person is an individual, together with his or her partner (statutory defined term), directly or indirectly, holds or is deemed to hold: (i) an interest of 5 per cent. or more of the total issued capital of the Issuer or of 5 per cent. or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest, or (iii) certain profit-sharing rights in the Issuer;

(d) persons to whom the Notes and the income from the Notes are attributed based on the separated private assets (*afgezonderd particulier vermogen*) provisions of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) and the Dutch Gift and Inheritance Tax Act 1956 (*Successiewet 1956*);

(e) entities which are a resident of Aruba, Curacao or Saint Maarten that have an enterprise which is carried on through a permanent establishment or a permanent representative on Bonaire, Saint Eustatius or Saba and the Notes are attributable to such permanent establishment or permanent representative; and

(f) individuals to whom Notes or the income therefrom are attributable to employment activities which are taxed as employment income in the Netherlands.

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

Withholding tax

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

Corporate and individual income tax

Residents of the Netherlands

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

If an individual is a resident of the Netherlands or deemed to be a resident of the Netherlands for Dutch individual income tax purposes, or has opted to be treated as a resident of the Netherlands for individual income tax purposes, income derived from the Notes and gains realised upon the redemption, settlement or disposal of the Notes are taxable at the progressive rates (at up to a maximum rate of 52 per cent.) under the Dutch Income Tax Act 2001, if:

(a) the individual is an entrepreneur (*ondernemer*) and has an enterprise to which the Notes are attributable or the individual has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise the Notes are attributable; or

(b) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which includes activities with respect to the Notes that exceed regular, active portfolio management (*uitgaat boven normaal, actief vermogensbeheer*).

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

Non-residents of the Netherlands

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

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

This income is subject to Dutch corporate income tax at up to a maximum rate of 25 per cent.

(b) the person is an individual and such individual (i) has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Notes are attributable, or (ii) realises income or gains with respect to the Notes that qualify as income from miscellaneous activities in the Netherlands which includes activities with respect to the Notes that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*), or (iii) is other than by way of securities entitled to a share in the profits of an enterprise which is effectively managed in the Netherlands and to which enterprise the Notes are attributable.

Income derived from the Notes as specified under (i) and (ii) is subject to individual income tax at progressive rates up to a maximum rate of 52 per cent. Income derived from a share in the profits of an enterprise as specified under (iii) that is not already included under (i) or (ii) will be taxed on the basis of a deemed return on income from savings and investments (as described above under "—*Residents of the Netherlands*"). The fair market value of the share in the profits of the enterprise (which includes the Notes) will be part of the individual's Dutch yield basis.

Gift and inheritance tax

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

(a) the holder of a Note is, or is deemed to be, resident in the Netherlands for the purpose of the relevant provisions; or

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

Value added tax

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

Other taxes and duties

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

EU Directive on the Taxation of Savings Income

The Savings Directive requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual resident, or certain other types of entity established, in that other EU Member State, except that Austria and Luxembourg will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period they elect otherwise. The Luxembourg government has announced its intention to elect out of the withholding system in favour of an automatic exchange of information with effect from 1 January 2015.

The Council of the European Union has adopted the Amending Directive which will, when implemented, amend and broaden the scope of the requirements of the Savings Directive described above. The Amending Directive will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or for the benefit of) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the Savings Directive, as amended. The Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

Investors who are in any doubt as to their position should consult their professional advisers.

Foreign Account Tax Compliance Act

FATCA imposes a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain payments to (a) any non-U.S. financial institution (a "foreign financial institution", or "FFI" (as defined by FATCA)) that does not become a "Participating FFI" by entering into an agreement with the U.S. Internal Revenue Service ("IRS") and to provide the IRS with certain information in respect of its U.S. account holders and U.S. investors, or is not otherwise exempt from or in deemed compliance with FATCA, and (b) any person (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether such person is a U.S. person or should otherwise be treated as holding a "United States account" of the relevant Participating FFI (a "Recalcitrant Holder"). The Issuer is classified as an FFI.

The new withholding regime is currently in effect for payments from sources within the United States and will apply to "foreign passthru payments" (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of the Notes (a) if the Notes are characterised as debt for U.S. federal tax purposes and issued after the grandfathering date, which is the date that is six months after the date on which final U.S. Treasury regulations defining the term "foreign passthru payment" are filed with the Federal Register, or if such Notes are materially modified after the grandfathering date, and (b) if the Notes are characterised as equity, whenever issued. The Issuer intends to treat the Notes as debt for U.S. federal income tax purposes. However, one possible alternative characterisation is that the IRS could assert that the Notes should be treated as equity for U.S. federal income tax purposes.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an "IGA"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "Reporting FI" not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction generally would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "FATCA Withholding") from payments it makes. Each of the Model IGAs states that alternatives to achieve the policy objectives of "foreign passthru payment" withholding could be addressed in the future. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and the Netherlands have signed an agreement based largely on the Model 1 IGA (the "U.S.-Netherlands IGA").

The Issuer expects to be a Reporting FI under the U.S.-Netherlands IGA, though no assurance can be given that the Issuer will be a Reporting FI. If the Issuer is not a Reporting FI and becomes a Participating FFI, and the Notes are not grandfathered (as discussed above), the Issuer and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (a) any FFI through or to which payment on such Notes is made is not a Participating FFI or a Reporting FI, or is otherwise exempt from or in deemed in compliance with FATCA, or (b) an investor is a Recalcitrant Holder. However, whilst the Notes are in global form and held within the ICSD, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the Common Safekeeper, given that each of the entities in the payment chain between the Issuer and the participants in the ICSD is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect such payments on the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the ICSD. If this were to happen, then payment made on the Notes by or on behalf of the Issuer to non-FATCA compliant holders could be subject to FATCA Withholding. However, definitive Notes will only be printed in remote circumstances.

FATCA is particularly complex and its application to securities such as the Notes is uncertain. The above description is based in part on regulations, official guidance and the U.S.-Netherlands IGA, all of which may be subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in a dealer agreement dated 2 March 2015 (the "Dealer Agreement") between the Issuer, the Permanent Dealer and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealer. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not a Permanent Dealer. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for certain of its expenses incurred in connection with the establishment of the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Final Terms.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act, as amended and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

Each Dealer has represented and agreed that, except as permitted by the Dealer Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes of any identifiable Tranche (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer, by the Fiscal Agent, or in the case of Notes issued on a syndicated basis, the relevant lead manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

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

United Kingdom

Each Dealer has represented and agreed that:

(i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

The Netherlands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that bearer Zero Coupon Notes and other Notes which qualify as savings certificates or *spaarbewijzen* as defined in the Savings Certificates Act (*Wet inzake spaarbewijzen*) may only be transferred or accepted through the intermediary of the Issuer of those Notes or a member of Euronext in Amsterdam and with due observance of the Savings Certificates Act (including registration requirements). However, no such intermediary services are required in respect of (i) the initial issue of those Notes to the first holders thereof, (ii) any transfer and acceptance by individuals who do not act in the conduct of a profession or trade, and (iii) the transfer or acceptance of those Notes, if they are physically issued outside the Netherlands and are not distributed in the Netherlands in the course of primary trading or immediately thereafter.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “Financial Instruments and Exchange Act”). Accordingly, each of the Dealers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Prospectus.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it shall, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Prospectus, any other offering material or any Final Terms in all cases at its own expense.

FORM OF FINAL TERMS

The following is the form of Final Terms that, subject to completion and deletion of non-applicable provisions, will be applicable to, and issued in respect of, each issue of Notes.

Final Terms dated [●]

NN Group N.V.

Issue of **[Aggregate Nominal Amount of Tranche] [Title of Notes]**

under the **€3,000,000,000**
Debt Issuance Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the prospectus dated 2 March 2015 [and the supplement(s) to it dated [●]] which [together] constitute[s] a base prospectus (the "Prospectus") for the purposes of Directive 2003/71/EC, as amended (the "Prospectus Directive"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus has been published on www.nn-group.com.

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Final Terms.]

[When completing any final terms consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

1	Issuer:	NN Group N.V.
2	[(i)] Series Number:	[●]
	[(ii) Tranche Number:	[●]
	[(iii) Date on which the Notes become fungible:	[Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [*insert description of the Series*] on [*insert date*/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [21] below [which is expected to occur on or about [*insert date*]]].]
3	Specified Currency:	[●]
4	Aggregate Nominal Amount:	[●]
	[(i)] Series:	[●]
	[(ii) Tranche:	[●]]

5	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6	(i) Specified Denominations:	[●] [*If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the following wording*: "€100,000 and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No notes in definitive form will be issued with a denomination above [€199,000]."] *[In addition, Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).]*
	(ii) Calculation Amount:	[●] (*If there is only one Specified Denomination, insert the Specified Denomination. If there are several Specified Denominations (including where the circumstances referred to in 6(i) above apply of having Specified Denominations of €100,000 and multiples of €1,000), insert the highest common factor of those Specified Denominations (note: there must be a common factor in the case of two or more Specified Denominations*).
7	(i) Issue Date:	[●]
	(ii) Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable]
8	Maturity Date:	[*Specify date or (for Floating Rate Notes)* Interest Payment Date falling in or nearest to *[specify the relevant month and year]*]
9	Interest Basis:	[[●] per cent. Fixed Rate] [[●] month [LIBOR/EURIBOR]] +/– [●] per cent. Floating Rate] [Zero Coupon] (See paragraph [14/15/16] below)
10	Redemption/Payment Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [[●]/[100]] per cent. of their nominal amount.

11	Change of Interest Basis:	[*Specify the date when any fixed to floating rate change occurs or refer to paragraphs 14 and 15 below and identify there*/For the period from (and including) the Interest Commencement Date, up to (but excluding) [*date*] paragraph [14/15] applies and, for the period from (and including) [*date*], up to (and including) the Maturity Date, paragraph [14/15] applies]/Not Applicable]
12	Put/Call Options:	[Issuer Call] [Investor Put] See paragraph [17/18] below)]
13	[(i)] Status of the Notes:	Senior
	[(ii)] [Date [Board] approval for issuance of Notes obtained:	[●] [and [●], respectively]] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14	Fixed Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Rate[(s)] of Interest:	[●] per cent. per annum payable in arrear on each Interest Payment Date
	(ii) Interest Payment Date(s):	[●] in each year
	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
	(iv) Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
	(v) Day Count Fraction:	[30/360 / Actual/Actual (ICMA) / *include any other option from the Conditions*]
	(vi) [Determination Dates:	[●] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)*)]
15	Floating Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Interest Period(s):	[[●][, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]

(ii)	Specified Interest Payment Dates:	[[●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment[, as the Business Day Convention in (iv) below is specified to be Not Applicable]]]
(iii)	Interest Period Date:	[Not Applicable]/[[●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
(iv)	First Interest Payment Date:	[●]
(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]
(vi)	Business Centre(s):	[●]
(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(viii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Fiscal Agent):	[●]
(ix)	Screen Rate Determination:	
	– Reference Rate:	[[●]-month [LIBOR/EURIBOR]]
	– Interest Determination Date(s):	[●]
	– Relevant Screen Page:	[●]
(x)	ISDA Determination:	
	– Floating Rate Option:	[●]
	– Designated Maturity:	[●]
	– Reset Date:	[●]
	[– ISDA Definitions	[2006]]
(xi)	Linear Interpolation:	Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)
(xii)	Margin(s):	[+/-][●] per cent. per annum
(xiii)	Minimum Rate of Interest:	[●] per cent. per annum
(xiv)	Maximum Rate of Interest:	[●] per cent. per annum
(xv)	Day Count Fraction:	[[30/360][Actual/360][Actual/365]][*Include any other option from the Conditions*]

16	Zero Coupon Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Amortisation Yield:	[●] per cent. per annum
	(ii) Day Count Fraction in relation to Early Redemption Amounts:	[[30/360][Actual/360][Actual/365]][*Include any other option from the Conditions*]

PROVISIONS RELATING TO REDEMPTION

17	Call Option	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount
	(iii) If redeemable in part:	
	Minimum Redemption Amount:	[●] per Calculation Amount
	Maximum Redemption Amount:	[●] per Calculation Amount
	(iv) Notice period:	[●] days *(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example clearing systems (which require a minimum of five business days' notice for a call) and custodians, as well as any other notice requirements which may apply.)*
18	Put Option	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount
	(iii) Notice period:	[●] days *(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of fifteen business days' notice for a put) and custodians, as well as any other notice requirements which may apply.)*
19	Final Redemption Amount of each Note:	[●][Par] per Calculation Amount
20	Early Redemption Amount	
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption:	[●]/[Par] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21	Form of Notes:	**Bearer Notes:** [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice] *(The exchange at any time upon due notice option should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes, other than in the limited circumstances specified in the permanent Global Note.)* [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] **Registered Notes:** [Global Certificate registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]
22	New Global Note:	[Yes] [No]
23	Financial Centre(s):	[Not Applicable/*give details. Note that this paragraph relates to the date of payment, and not the end dates of interest periods for the purposes of calculating the amount of interest, to which sub-paragraph 15(vi) relates*]
24	Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	[No/Yes. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made.]

THIRD PARTY INFORMATION

[(*Relevant third party information*) has been extracted from (*specify source*). The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of NN Group N.V.:

By: By:

Duly authorised Duly authorised

PART B – OTHER INFORMATION

1 **LISTING AND ADMISSION TO TRADING**

(i) Admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on Euronext in Amsterdam with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on Euronext in Amsterdam with effect from [●].] [Not Applicable.] (*Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)*
(ii) Estimate of total expenses related to admission to trading:	[●]

2 **RATINGS**

Ratings:	[The Notes to be issued [have been/are expected to be] rated]: [S & P: [●]] [Moody's: [●]] [[Other]: [●]]

3 **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

(Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the statement below:)

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. (*Amend as appropriate if there are other interests*)]

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]

4 **[*Fixed Rate Notes only* – YIELD**

Indication of yield:	[●] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

5 **OPERATIONAL INFORMATION**

ISIN:	[●]
Common Code:	[●]

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[●]
Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] [*include this text for registered notes*] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/ [No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them, the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper) [*include this text for registered notes*]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

6 **DISTRIBUTION**

(i) Method of distribution:	[Syndicated/Non-syndicated]
(ii) If syndicated:	
(A) Names of Managers:	[Not Applicable/*give names*]
(B) Stabilisation Manager(s) (if any):	[Not Applicable/*give names*]
(iii) If non-syndicated, name of Dealer:	[Not Applicable/*give name*]
(iv) U.S. Selling Restrictions:	[Reg. S Compliance Category 2; TEFRA C/ TEFRA D/ TEFRA not applicable]

GENERAL INFORMATION

(1) Application has been made to Euronext for Notes issued under the Programme to be listed and admitted to trading on Euronext Amsterdam.

(2) The Issuer has obtained all necessary consents, approvals and authorisations in The Netherlands in connection with the establishment of the Programme. The establishment of the Programme was authorised by the Executive Board and the Management Board and passed on 27 October 2014.

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

(4) Except as disclosed in "Business Description of NN Group N.V.—Recent Developments", there has been no significant change in the financial or trading position of the Issuer or of the Group since 31 December 2014 and no material adverse change in the prospects of the Issuer since 31 December 2013.

(5) Except as disclosed in "Business Description of NN Group N.V.—Legal Proceedings", neither the Issuer nor any of its subsidiaries is nor has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer or the Group.

(6) Each Bearer Note having a maturity of more than one year, Receipt, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

(7) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.

(8) Where information in this Prospectus has been sourced from third parties, this information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

(9) The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on the prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

(10) For so long as Notes may be issued pursuant to this Prospectus, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the registered office of the Issuer:

(i) the Agency Agreement (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons);

(ii) the Articles of Association of the Issuer;

(iii) the published (i) annual report and audited accounts of the Issuer's predecessor ING Verzekeringen N.V. for the financial year ended 31 December 2012, (ii) the Interim Financial Report, (iii) the Q3 Press Release and (iv) the Q4 Press Release;

(iv) each Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Issuing and Paying Agent as to its holding of Notes and identity); and

(v) a copy of this Prospectus together with any supplement to this Prospectus or further Prospectus.

(11) Copies of the Agency Agreement will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding.

(12) The Issuer's consolidated financial statements for the year ended 31 December 2013 and the consolidated financial statements of the Issuer's predecessor ING Verzekeringen N.V. for the year ended 31 December 2012 have been audited by Ernst & Young Accountants LLP, independent auditors. The auditors of Ernst & Young Accountants LLP are members of the Netherlands Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*). Ernst & Young Accountants LLP is located at Antonio Vivaldistraat 150, 1083 HP Amsterdam, the Netherlands.

(13) Ernst & Young Accountants LLP have issued unqualified auditor's reports on the consolidated financial statements for the years ended 31 December 2013 and 2012 dated 17 March 2014 and 18 March 2013, respectively. These auditor's reports have been included in the form and context in which they appear with the consent of Ernst & Young Accountants LLP, who have authorised the contents of these auditor's reports.

(14) Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to, the Issuer and/or its affiliates in the ordinary course of business.

DEFINITIONS

The following definitions are used throughout this Prospectus:

2009 Restructuring Plan	the restructuring plan submitted to the EC by ING Groep in October 2009 as approved by the EC in November 2009
2012 Restructuring Plan	the amended 2009 Restructuring Plan as approved by the EC in November 2012
2013 Annual Accounts	NN's audited consolidated financial statements for the financial year ended 31 December 2013
2013 Restructuring Plan	the amended 2012 Restructuring Plan as approved by the EC in November 2013
ABS	asset-backed securities
AFM	the Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*)
AIFMD	EU directive on alternative investment fund managers
Amending Scheme of Arrangement	the amendment to the Original Scheme of Arrangement
APE	annual premium equivalent, calculated as the total amount of recurring premiums from new business plus 10% of the total amount of single premiums on business written during the year
ARPFE	Act on Remuneration Policies in Financial Enterprises (*Wet beloningsbeleid financiële ondernemingen*)
Articles of Association	the articles of association of the Issuer
AuM	assets under management
CEE	Central and Eastern Europe
CEO	chief executive officer
CFO	chief financial officer
Clearstream, Luxembourg	Clearstream Banking, société anonyme
COLI	corporate-owned life insurance
ComFrame	Common Framework for the Supervision of IAIGs
CPLA	claims payment loan agreement
CPLA2	subsequent claims payment loan agreement
CRD III	Directive 2010/76/EC
CRD IV	Directive 2013/36/EC and Regulation EU No. 575/2013
CRO	the chief risk officer of NN
De Nederlanden	*Assurantie Maatschappij tegen Brandschade N.V.*, later renamed to *De Nederlanden van 1845 N.V.*
DNB	the Dutch Central Bank (*De Nederlandsche Bank N.V.*)
Dutch Financial Supervision Act	the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and the rules promulgated thereunder

D&A	disability and accident
EC	European Commission
ECB	European Central Bank
EC Restructuring Plan	the 2009 Restructuring Plan, together with the 2012 and 2013 Restructuring Plans
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
EMIR	Regulation EU No. 648/2012 (European Market Infrastructure Regulation)
EU	European Union
EUR or **euro** or **€**	the currency of the European Monetary Union
Euroclear	Euroclear Bank S.A./N.V.
Euronext	Euronext Amsterdam N.V.
Euronext Amsterdam	Euronext in Amsterdam
Executive Board	the executive board (*raad van bestuur*) of the Issuer
FATCA	Foreign Account Tax Compliance Act
FATCA Withholding	withholding under FATCA or an IGA (or any law implementing an IGA) by an FFI
FFI	foreign financial institution
Financial Instruments and Exchange Act	Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended)
FSMA	UK Financial Services and Markets Act 2000
FTT	financial transaction tax
General Meeting	the general meeting of Shareholders
G-SIFI	global systemically important financial institution
G-SII	global systemically important issuer
GWP	gross written premiums; total premiums (whether or not earned) for insurance contracts written or assumed during a specific period, without deduction for premiums ceded
IAIG	Internationally Active Insurance Group
IAIS	International Association of Insurance Supervisors
IASB	International Accounting Standards Board
ICS	risk-based global insurance capital standard
ICSDs	Euroclear and Clearstream, Luxembourg
IFRS	International Financial Reporting Standards as adopted by the EU
IGA	intergovernmental agreement
ILU	the Institute of London Underwriters
ING	ING Groep and its subsidiaries (including ING Bank and

	excluding NN)
ING Bank	ING Bank N.V. and its subsidiaries and branches
ING Groep	ING Groep N.V.
ING Groep Nominated Supervisory Board Members	the members of the Supervisory Board nominated by ING Groep in accordance with the Relationship Agreement
ING Insurance Eurasia	ING Insurance Eurasia N.V.
ING Investment Management India	ING Investment Management (India) Private Limited
ING Pension Fund	the Dutch ING pension fund (*Stichting Pensioenfonds ING*)
ING U.S.	Voya Financial, Inc., until 7 April 2014 known as ING U.S., Inc.
INGV	ING Verzekeringen N.V.
Interim Financial Report	the Interim Financial Report containing the Issuer's condensed consolidated unaudited results as at, and for the six-month period ended, 30 June 2014, as published by the Issuer on 6 August 2014
Issuer	NN Group N.V., formerly known as ING Insurance Topholding N.V., which company merged with ING Verzekeringen N.V. on 1 March 2014
IRS	U.S. Internal Revenue Service
IT	information technology
L&O	the London and Overseas Insurance Company PLC, which has subsequently been renamed London and Overseas Insurance Company Limited
Management	NN's management
Member State	a member state of the EU
MiFID	the EU Markets in Financial Instruments Directive
MiFID II	the revised EU Markets in Financial Instruments Directive
MiFIR	Markets in Financial Instruments Regulation
Moody's	Moody's Investors Service Ltd.
Nationale	Nationale Levensverzekering-Bank N.V.
Nationale-Nederlanden Spain	Nationale Nederlanden Vida, Compania de Seguros y Reaseguros. S.A. and Nationale Nederlanden Generales, Compania de Seguros y Reaseguros, S.A.
NN	the Issuer and its subsidiaries
NN Bank	Nationale-Nederlanden Bank N.V. and its subsidiaries
NN Belgium	ING Life Belgium NV and ING Non-Life Belgium NV
NN Czech Republic	ING Životná poisťovňa, a.s., pobočka pro Českou republiku (a branch of Nationale-Nederlanden Levensverzekering Maatschappij N.V. in the Netherlands), ING pojistovna, a.s., ING Penzijní společnost, a.s. and ING Tatry-Sympatia, d.d.s., a.s. (a branch of ING Tatry-Sympatia, d.d.s., a.s. in Slovak Republic)

NN Hungary	ING Biztosító Zártkörûen Mûködõ Részvénytársaság
NN Investment Partners	ING Investment Management Holdings N.V. and its subsidiaries
NN Japan	ING Life Insurance Company, Ltd.
NN Life	Nationale-Nederlanden Levensverzekering Maatschappij N.V.
NN Re	NN's reinsurance business, as conducted by ING Re (Netherlands) N.V., ING Re (Ireland) Ltd. And ING Reinsurance Company International Ltd.
NN Re Netherlands	ING Re (Netherlands) N.V.
NNIS	Nationale-Nederlanden Internationale Schadeverzekering N.V. (a subsidiary of the Issuer which has since merged with a UK subsidiary of the Issuer, creating Nationale-Nederlanden Internationale Schadeverzekering S.E.)
NNOFIC	Nationale-Nederlanden Overseas Finance and Investment Company (a UK subsidiary of the Issuer)
Nomination and Corporate Governance Committee	the nomination and corporate governance committee of the Supervisory Board
Offer Price	the price of the Ordinary Shares offered in the Share Offering
Omnibus II	directive to revise the Solvency II Directive
Ordinary Shares	the ordinary shares in the capital of the Issuer
Original Scheme of Arrangement	the creditor's scheme of arrangement in relation to each of Orion and L&O, which became effective in 1997
Orion	Orion Insurance Company PLC, which has subsequently been renamed OIC Run-Off Limited
OTC	over-the-counter
Participating FFI	FFI that has entered into an agreement with the IRS
Preference Shares	the preference shares in the capital of the Issuer with a nominal value of EUR 0.12 each
Prospectus	this base prospectus dated 2 March 2015
Prospectus Directive	EU Directive 2003/71/EC of the European Parliament and of the Council of the EU (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State), including all relevant implementing measures
P&C	property and casualty
Q3 Press Release	the press release published by the Issuer on 5 November 2014 entitled "NN Group reports strong 3Q14 results"
Q4 Press Release	the press release published by the Issuer on 11 February 2015 entitled "NN Group posts strong 4Q14 and 2014 results"
qualifying ILU policies	contracts of insurance or reinsurance evidenced by policies signed and issued by the ILU (i) on behalf of Orion with inception dates on or after 28 August 1970 and/or (ii) on behalf

	of L&O with inception dates on or after 20 March 1969
Recalcitrant Holder	any investor (unless exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the Issuer
Reclassified Balance Sheets	the reclassified balance sheets, which NN provides, on a voluntary basis, in addition to the historical balance sheets, for the years 2012 and 2011, which are comparable to the consolidated balance sheets for the year 2013
Recovery and Resolution Directive	a directive establishing a framework for the recovery and resolution of credit institutions and investment firms published by the EC on 12 June 2014
Regulation S	Regulation S under the U.S. Securities Act
Relationship Agreement	the relationship agreement between the Issuer and ING Groep dated 10 June 2014
Remuneration Committee	the remuneration committee of the Supervisory Board
Reporting FI	an FFI in an IGA signatory country not subject to withholding under FATCA on any payments it receives
Risk Committee	the risk committee of the Supervisory Board
SCR	solvency capital requirements
Settlement Date	7 July 2014, being the date on which the Ordinary Shares offered in the Share Offering were received by investors
Share	share in the capital of the Issuer
Shareholder	a holder of at least one Share
Share Offering	the divestment of Ordinary Shares by ING Groep
SME	small- or medium-sized enterprise
Solvency 1.5	amendments in the regulatory framework for insurance companies introduced by the Dutch Ministry of Finance in January 2014. The legislation also introduced the TSC which aimed to ensure that, after the realisation of some pre-defined stress scenarios, insurance companies would still comply with their solvency requirements
Solvency I	European regulatory framework for the prudential supervision of insurance and reinsurance companies
Solvency II Directive	Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 and the implementing measures by the EC thereunder, as amended
SPVA	single premium variable annuity
Standard & Poor's	Standard & Poor's Credit Market Services Europe Limited
SulAmérica	SulAmérica S.A.
Supervisory Board	the supervisory board (*raad van commissarissen*) of the Issuer

TSC	theoretical solvability criterion
UCITS	EU Undertakings for Collective Investment in Transferable Securities
United Kingdom or **UK**	the United Kingdom of Great Britain and Northern Ireland
United States or **U.S.**	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
USD	United States dollar
U.S. Securities Act	the United States Securities Act of 1933, as amended
VA	variable annuity
Warrants	in conjunction with the Share Offering, the Issuer has issued to ING Groep warrants that will be exercisable for a number of Ordinary Shares up to 9.99% in the aggregate of the issued Ordinary Shares immediately following the Settlement Date or 34,965,000 Ordinary Shares
Works Council	the Issuer's works council
WUB	WestlandUtrecht Bank N.V.

GLOSSARY OF INSURANCE AND INVESTMENT MANAGEMENT TERMS

actuarial consulting firm	a specialised firm for life insurance focused on advising mid-sized and large corporate customers on pension plans, and work on a fee basis
annuity	a contract between an annuitant and an insurance company, under which the annuitant makes a lump sum payment or a series of payments; in return, the insurer agrees to make periodic payments to the annuitant beginning immediately or at some future date
asset-backed securities; ABS	a type of bond or note that is based on pools of assets, or collaterised by the cash flows from a specified pool of underlying assets
bancassurance	insurance companies using a bank's distribution network, including branches, call centres, financial centres and internet platforms to reach customers and distribute their products
bank annuities	a long-term savings and investment product that provides economic returns to customers that are similar to, and otherwise substitute for, individual life annuity products in the Netherlands
brokers	companies (traditional broker companies as well as product comparison websites) that offer a variety of products from a wide range of insurance companies; the advisory services are more standardised and usually based on the cross-product comparison of certain characteristics
cede; ceding insurer; cession	when an insurer reinsures its risk with another insurer (a "cession"), it "cedes" business and is referred to as the "ceding insurer"
claim	a demand made by the insured, or the insured's beneficiary, for payment of the benefits as provided by the policy
closed block	the block of business is closed, meaning the insurer no longer writes new business although existing policies within the closed block remain in effect (and the insurer may continue to collect premiums) until they run off
deferred acquisition costs	commissions and certain other underwriting, policy issuance and selling expenses that are directly related to the production of business are referred to as policy acquisition costs; policy acquisition costs that vary based on the level of production are deferred and later amortised to achieve matching revenues and expenses
defined benefit	a pension plan where specified benefits are accrued that equal a certain percentage of the insured's "pensionable income" for each year that the insured participates in the plan; after the pension date, the insured will receive a predetermined fixed

	annuity, including or excluding corrections for inflation
defined contribution	a pension plan where specified contributions are paid into an account for the insured and then invested, with returns credited to the employee's account; upon termination of the plan, the balance of the employee's account is used to purchase an annuity
direct channel	distribution through proprietary channels of insurance companies and banks, respectively (e.g. online platforms, call centres, in-house advisers)
economic capital	the minimum amount of capital that is required to absorb unexpected losses in times of severe stress; for NN the economic capital is calculated based on a confidence level of 99.5 per cent., which is aligned with the Solvency II Directive
general account	the assets of an insurance company that support its insurance and other obligations (excluding unit-linked (separate account) obligations)
independent agent	advisers that sell products from more than one insurer, taking into account product characteristics and the supplier when helping a customer choose; compensation is based on fees and/or commissions
intermediaries	independent intermediaries through which life and non-life insurance products and pension funds are distributed, which include independent agents, actuarial consulting firms, brokers and mandated brokers; for the avoidance of doubt, each type of intermediary may not be used in each geographical market
loss	an injury, harm, damage or financial detriment that a person sustains; losses may be covered, limited or excluded from coverage, depending on the terms of the policy
mandated broker	a company offering insurance policies under its own brand with a mandate from an insurance company to underwrite policies; however, the insurance company bears the risk related to the issued policies
mass affluent retail customers	customers who hold EUR 50,000 to EUR 1 million in liquid assets
recurring premium	an insurance policy where the policyholder makes periodic payments
reinsurance	the practice whereby one insurer, called the reinsurer, in consideration for premiums received, agrees to indemnify the reinsured or ceding insurer for part or all of the liability assumed by the reinsured under a contract or contracts of insurance which the reinsured has issued; the legal rights of the insured generally are not affected by the reinsurance transaction, and the insurance enterprise issuing the insurance contract remains liable to the insured for payment of policy benefits

reserves	liabilities established by insurers and reinsurers to reflect the estimated cost of claims payments and benefits payments and the related expenses that the insurer or reinsurer will ultimately be required to pay in accordance with the insurance or reinsurance it has written
retention	the amount or portion of risk which a ceding insurer retains for its own account; losses and loss expenses paid by the ceding insurer in excess of the retention level are then reimbursed to the insurer by the reinsurer; in proportional insurance, the retention may be a percentage of the original policy's limit; in non-proportional insurance, the retention is an amount of loss, a loss ratio or a percentage
rider	provision of an insurance policy that is purchased separately from the basic policy and that provides additional benefits
separate account	an investment account established and maintained by an insurer to which funds have been allocated for certain insurance policies or contracts of the insurer. The income, gains and losses realised from assets allocated to the account are, in accordance with the insurance policies or contracts, credited to or charged against the account without regard to other income, gains or losses of the insurer or the insurer's other separate accounts. Separate accounts cannot generally be charged with the liabilities of the general account. The policyholders bear all of the investment risk for these products
single premium	an insurance policy where the policyholder pays a single, one-off premium
surrender	many life insurance products permit the insured to withdraw a portion or all of the cash surrender value of the contract; future benefits are reduced accordingly
term life insurance	life insurance protection for a limited period which expires without maturity value if the insured survives the period specified in the policy
tied agent	adviser that sells insurance contracts exclusively for one specific insurance company, with his payment predominantly based on commissions
traditional life insurance	life insurance where claims paid consist of a predetermined amount, sometimes supplemented by a profit-sharing arrangement
underwriting	the process whereby an insurer or reinsurer reviews applications submitted for insurance or reinsurance coverage and determines whether it will provide all or part of the coverage being requested for an agreed premium

NN Group Annual Accounts 2013 Contents

Consolidated balance sheet of NN Group

as at 31 December

amounts in millions of euros	2013	2012	2011
Assets			
Cash and cash equivalents 2	**7,155**	5,389	11,577
Financial assets at fair value through profit or loss: 3			
– trading assets	**736**	586	534
– investments for risk of policyholders	**39,589**	98,765	116,438
– non-trading derivatives	**3,126**	5,107	7,285
– designated as at fair value through profit or loss	**482**	2,000	2,616
Available-for-sale investments 4	**61,014**	119,305	133,604
Loans and advances to customers 5	**25,319**	25,823	32,928
Reinsurance contracts 17	**252**	5,290	5,870
Investments in associates 6	**1,028**	1,352	1,526
Real estate investments 7	**764**	805	954
Property and equipment 8	**164**	338	469
Intangible assets 9	**392**	1,018	1,972
Deferred acquisition costs 10	**1,353**	4,549	10,204
Assets held for sale 11	**630**	61,691	
Other assets 12	**3,754**	6,735	9,631
Total assets	**145,758**	338,753	335,608
Equity 13			
Shareholder's equity (parent)	**14,227**	26,423	23,412
Minority interests	**68**	217	62
Total equity	**14,295**	26,640	23,474
Liabilities			
Subordinated loans 14	**2,892**	2,947	4,367
Debt securities in issue 15		1,910	3,436
Other borrowed funds 16	**4,817**	7,442	7,307
Insurance and investment contracts 17	**111,551**	229,950	278,833
Customer deposits and other funds on deposit 18	**5,769**		
Financial liabilities at fair value through profit or loss: 19			
– non-trading derivatives	**1,843**	3,258	4,404
Liabilities held for sale 11	**466**	55,655	
Other liabilities 20	**4,125**	10,951	13,787
Total liabilities	**131,463**	312,113	312,134
Total equity and liabilities	**145,758**	338,753	335,608

The amounts for 2011 and 2012 have been restated to reflect the change in accounting policy for defined benefit plans as disclosed in the section "Changes in accounting policies in 2013" on page F9.

The comparison of the Consolidated balance sheets is impacted by the transfer of ING U.S. to ING Groep N.V., the classification to continuing operations of NN Group's business in Japan (as of 2013) and the classification as held for sale of the insurance and investment management businesses in Asia (as of 2012) as disclosed in the section "Other significant changes in 2013" on page F11.

References relate to the notes starting on page F30. These form an integral part of the consolidated annual accounts.

Consolidated profit and loss account of NN Group

for the year ended 31 December

amounts in millions of euros	2013	2013	2012	2012	2011	2011
Continuing operations						
Gross premium income 21		9,530		10,705		11,292
Investment income 22		3,619		3,739		3,483
Result on disposals of group companies 23		–45				–4
Gross commission income	956		924		1,337	
Commission expense	–330		–331		–700	
Commission income 24		626		593		637
Valuation results on non-trading derivatives 25		–2,891		–2,574		1,025
Foreign currency results and net trading income 26		186		539		–117
Share of result from associates 6		97		37		190
Other income 27		39		–22		110
Total income		11,161		13,017		16,616
Gross underwriting expenditure	13,585		15,867		13,444	
Investment result for risk of policyholders	–4,930		–5,517		–206	
Reinsurance recoveries	–70		–73		–81	
Underwriting expenditure 28		8,585		10,277		13,157
Intangible amortisation and other impairments 29		11		69		42
Staff expense 30		1,178		1,037		1,128
Interest expense 31		591		605		728
Other operating expense 32		848		1,274		1,093
Total expense		11,213		13,262		16,148
Result before tax from continuing operations		–52		–245		468
Taxation 39		–50		–113		15
Net result from continuing operations		–2		–132		453
Discontinued operations 33						
Net result from discontinued operations		45		839		–202
Net result from classification as discontinued operations		–42		–394		
Net result from disposal of discontinued operations		17		752		995
Total net result from discontinued operations		20		1,197		793
Net result from continuing and discontinued operations (before minority interests)		18		1,065		1,246

The amounts for 2012 and 2011 have been restated to reflect the change in accounting policy for defined benefit plans as disclosed in the section “Changes in accounting policies in 2013” on page F9.

References relate to the notes starting on page F61. These form an integral part of the consolidated annual accounts.

Consolidated profit and loss account of NN Group continued

for the year ended 31 December

amounts in millions of euros	2013	2012	2011
Net result from continuing and discontinued operations attributable to:			
Shareholder of the parent	**10**	1,038	1,226
Minority interests	**8**	27	20
	18	1,065	1,246
Net result from continuing operations attributable to:			
Shareholder of the parent	**–18**	–153	439
Minority interests	**16**	21	14
	–2	–132	453
Total net result from discontinued operations attributable to:			
Shareholder of the parent	**28**	1,191	787
Minority interests	**–8**	6	6
	20	1,197	793

	2013	2012	2011
Total amount of dividend paid (in millions of euros) 13	**882**	0	0

In 2013, the remaining interest in ING U.S., Inc. (“ING U.S.”) was transferred to ING Groep N.V. by way of dividend in kind. Reference is made to Note 53 “Other events” for more details on the transaction.

Consolidated statement of comprehensive income of NN Group

for the year ended 31 December

amounts in millions of euros	2013	2012	2011
Net result from continuing and discontinued operations	**18**	1,065	1,246
Items that will not be reclassified to the profit and loss account:			
Remeasurement of the net defined benefit asset/liability 38	**–42**	–910	430
Unrealised revaluations property in own use	**–1**	–13	2
Items that may be reclassified subsequently to the profit and loss account:			
Unrealised revaluations available-for-sale investments and other	**–4,678**	5,084	1,997
Realised gains/losses transferred to the profit and loss account	**90**	–367	473
Changes in cash flow hedge reserve	**–832**	665	1,316
Transfer to insurance liabilities/DAC	**2,154**	–2,181	–2,004
Other revaluations		10	36
Exchange rate differences	**–744**	–370	240
Total comprehensive income	**–4,035**	2,983	3,736
Comprehensive income attributable to:			
Shareholder of the parent	**–3,940**	2,949	3,718
Minority interests	**–95**	34	18
	–4,035	2,983	3,736

The amounts for 2012 and 2011 have been restated to reflect the change in accounting policy for defined benefit plans as disclosed in the section “Changes in accounting policies in 2013” on page F9.

Reference is made to Note 39 “Taxation” for the disclosure on the income tax effects on each component of the other comprehensive income.

Consolidated statement of cash flows of NN Group

for the year ended 31 December

amounts in millions of euros		2013	2012	2011
Result before tax [(1)]		**103**	1,044	1,254
Adjusted for:	– depreciation	**144**	171	191
	– deferred acquisition costs and value of business acquired	**1,289**	–484	248
	– increase in provisions for insurance and investment contracts	**–6,604**	–3,178	4,389
	– other	**1,275**	3,177	–2,362
Taxation paid		**–268**	–3	–206
Changes in:	– trading assets	**–146**	–70	87
	– non-trading derivatives	**–631**	430	1,142
	– other financial assets at fair value through profit or loss	**1,977**	–2,313	42
	– loans and advances to customers	**–192**	4,397	–1,268
	– other assets	**1,248**	2,049	944
	– customer deposits and other funds on deposits	**2,066**		
	– other financial liabilities at fair value through profit or loss	**–3,623**	–1,590	–280
	– other liabilities	**–4,885**	–2,907	–2,113
Net cash flow from operating activities		**–8,247**	723	2,068
Investments and advances:	– group companies 49	**–23**		
	– associates	**–48**	–6	–105
	– available-for-sale investments	**–46,964**	–72,358	–68,540
	– real estate investments	**–200**	–56	–23
	– property and equipment	**–30**	–60	–77
	– investments for risk of policyholders	**–47,102**	–67,986	–57,130
	– other investments	**–4,563**	–85	–77
Disposals and redemptions:	– group companies 49	**2,548**	1,332	2,736
	– associates	**323**	63	120
	– available-for-sale investments	**48,966**	63,978	63,616
	– real estate investments	**229**	71	35
	– property and equipment	**3**	18	15
	– investments for risk of policyholders	**54,979**	72,201	61,898
	– other investments	**8**	7	9
Net cash flow from investing activities		**8,126**	–2,881	2,477
Proceeds from issuance of subordinated loans				450
Repayments of subordinated loans			–1,381	–455
Proceeds from borrowed funds and debt securities		**12,791**	32,717	41,920
Repayments of borrowed funds and debt securities		**–13,854**	–34,069	–43,471
Capital injection		**1,330**		
Payments to acquire treasury shares			–17	–13
Sales of treasury shares		**10**	13	11
Proceeds of IPO ING U.S. 53		**1,062**		
Dividend paid 13		**–882**		
Net cash flow from financing activities		**457**	–2,737	–1,558
Net cash flow 35		**336**	–4,895	2,987
Cash and cash equivalents at beginning of year		**6,717**	11,577	8,646
Effect of exchange rate changes on cash and cash equivalents		**182**	35	–56
Cash and cash equivalents at end of year 2		**7,235**	6,717	11,577

[(1)] Includes result before tax from continuing operations of EUR –52 million (2012: EUR –245 million; 2011: EUR 468 million) and result before tax from discontinued operations of EUR 155 million (2012: EUR 1,289 million; 2011: EUR 786 million). Result after tax from discontinued operations is EUR 20 million (2012: EUR 1,197 million; 2011: EUR 793 million).

The amounts for 2012 and 2011 have been restated to reflect the change in accounting policy for defined benefit plans as disclosed in the section “Changes in accounting policies in 2013” on page F9.

References relate to the notes starting on page F72. These form an integral part of the consolidated annual accounts.

Consolidated statement of changes in equity of NN Group

amounts in millions of euros	Share capital [1]	Share premium	Reserves	Total share-holder's equity (parent)	Minority interest	Total equity
Balance as at 1 January 2011 (before change in accounting policy)	0	17,750	2,409	20,159	111	20,270
Effect of change in accounting policy [2]			–520	–520		–520
Balance as at 1 January 2011 (after change in accounting policy)	0	17,750	1,889	19,639	111	19,750
Remeasurement of the net defined benefit asset/liability			430	430		430
Unrealised revaluations property in own use			2	2		2
Unrealised revaluations available-for-sale investments and other			1,996	1,996	1	1,997
Realised gains/losses transferred to profit and loss account			473	473		473
Changes in cash flow hedge reserve			1,316	1,316		1,316
Transfer to insurance liabilities/DAC			–2,004	–2,004		–2,004
Other revaluations			36	36		36
Exchange rate difference			243	243	–3	240
Total amount recognised directly in equity (Other comprehensive income)	0	0	2,492	2,492	–2	2,490
Net result from continuing and discontinued operations			1,226	1,226	20	1,246
Total comprehensive income	0	0	3,718	3,718	18	3,736
Employee stock option and share plans			55	55		55
Changes in composition of the group and other changes					–43	–43
Dividend					–34	–34
Capital injection					10	10
Balance as at 31 December 2011	0	17,750	5,662	23,412	62	23,474
Remeasurement of the net defined benefit asset/liability			–910	–910		–910
Unrealised revaluations property in own use			–13	–13		–13
Unrealised revaluations available-for-sale investments and other			5,076	5,076	8	5,084
Realised gains/losses transferred to profit and loss account			–367	–367		–367
Changes in cash flow hedge reserve			665	665		665
Transfer to insurance liabilities/DAC			–2,181	–2,181		–2,181
Other revaluations			10	10		10
Exchange rate difference			–369	–369	–1	–370
Total amount recognised directly in equity (Other comprehensive income)	0	0	1,911	1,911	7	1,918
Net result from continuing and discontinued operations			1,038	1,038	27	1,065
Total comprehensive income	0	0	2,949	2,949	34	2,983
Employee stock option and share plans			62	62		62
Changes in composition of the group and other changes					127	127
Dividend					–6	–6
Balance as at 31 December 2012	0	17,750	8,673	26,423	217	26,640

[1] NN Group has an issued share capital of EUR 45,000. Reference is made to Note 13 "Equity".
[2] The change in accounting policy for defined benefit plans is disclosed in the section "Changes in accounting policies in 2013" on page F9.

Consolidated statement of changes in equity of NN Group continued

amounts in millions of euros	Share capital [1]	Share premium	Reserves	Total share-holder's equity (parent)	Minority interest	Total equity
Balance as at 31 December 2012		17,750	8,673	26,423	217	26,640
Remeasurement of the net defined benefit asset/liability 18			–42	–42		–42
Unrealised revaluations property in own use			–1	–1		–1
Unrealised revaluations available-for-sale investments and other			–4,672	–4,672	–6	–4,678
Realised gains/losses transferred to profit and loss			90	90		90
Changes in cash flow hedge reserve			–832	–832		–832
Transfer to insurance liabilities/DAC			2,154	2,154		2,154
Exchange rate difference			–647	–647	–97	–744
Total amount recognised directly in equity (Other comprehensive income)	0	0	–3,950	–3,950	–103	–4,053
Net result from continuing and discontinued operations			10	10	8	18
Total comprehensive income	0	0	–3,940	–3,940	–95	–4,035
Capital contribution		1,330		1,330		1,330
Employee stock option and share plans			37	37	6	43
Changes in composition of the group and other changes		–6,826	43	–6,783	–3,010	–9,793
Impact of IPO ING U.S. 53			–1,958	–1,958	2,954	996
Dividend 13		–649	–233	–882	–4	–886
Balance as at 31 December 2013	0	11,605	2,622	14,227	68	14,295

[1] NN Group has an issued share capital of EUR 45,000. Reference is made to Note 13 "Equity".

Notes to the Consolidated annual accounts of NN Group

amounts in millions of euros, unless stated otherwise

ESTABLISHMENT OF NN GROUP

Until recently, ING Verzekeringen N.V. (“ING Insurance”) was the holding company of the insurance and investment management activities of ING. As such, ING Insurance prepared Consolidated annual accounts under IFRS-EU that included ING Insurance and all its subsidiaries. ING Insurance was a wholly-owned subsidiary of ING Insurance Topholding N.V. (“ING Topholding”), a wholly-owned subsidiary of the ultimate parent ING Groep N.V. ING Topholding was a holding company with no other assets, liabilities and activities than its 100% holding in ING Insurance.

On 28 February 2014, before the finalisation of the 2013 Consolidated annual accounts, ING Insurance and ING Topholding legally merged. Through this merger, the legal entity ING Verzekeringen N.V. ceased to exist. The legal merger became effective on 1 March 2014 and on that date the merged entity was renamed NN Group N.V. (“NN Group”).

The merged entity NN Group N.V. is in substance a continuation of ING Insurance. As of 2013, NN Group prepares Consolidated annual accounts under IFRS-EU in which all assets and liabilities of ING Insurance and its subsidiaries are included at their existing carrying values. As a result, the financial position and results of NN Group are not significantly different from what these would have been for ING Insurance.

AUTHORISATION OF ANNUAL ACCOUNTS

The Consolidated annual accounts of NN Group N.V. (“NN Group”) for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Management Board NN Group on 17 March 2014. The Management Board NN Group may decide to amend the annual accounts as long as these are not adopted by the General Meeting of Shareholders. The General Meeting of Shareholders may decide not to adopt the annual accounts, but may not amend these. NN Group N.V. is incorporated and domiciled in Amsterdam, the Netherlands. The principal activities of NN Group are described in “ING and NN Group at a glance” of the NN Group N.V. Annual Report 2013 on page 4 [(1)].

1 ACCOUNTING POLICIES

NN Group applies International Financial Reporting Standards as adopted by the European Union (“IFRS-EU”). In the annual accounts the term “IFRS-EU” is used to refer to these standards, including the decisions NN Group made with regard to the options available under IFRS-EU.

IFRS-EU provides a number of options in accounting policies. The key areas in which IFRS-EU allows accounting policy choices, and the related NN Group accounting policy, are summarised as follows:

- Under IFRS 4, an insurer may continue to apply its existing pre-IFRS accounting policies for insurance contracts, provided that certain minimum requirements are met. Upon adoption of IFRS in 2005, NN Group decided to continue the then existing accounting principles for insurance contracts. NN Group operates in different countries and the accounting principles for insurance contracts follow local practice in these countries. For NN Group’s businesses in the Netherlands, NN Group for example applies accounting standards generally accepted in the Netherlands (Dutch GAAP) for its provisions for liabilities under insurance contracts;
- NN Group’s accounting policy for Real estate investments is fair value, with changes in the fair value reflected immediately in the Consolidated profit and loss account;
- NN Group’s accounting policy for Property for own use is fair value, with changes in the fair value reflected, after tax, in the revaluation reserve in equity (“Other comprehensive income”). A net negative revaluation on individual properties is reflected immediately in the Consolidated profit and loss account; and
- NN Group’s accounting policy for joint ventures is proportionate consolidation.

NN Group’s accounting policies under IFRS-EU and its decision on the options available are included in the section “Principles of valuation and determination of results” below. Except for the options included above, the principles in section “Principles of valuation and determination of results” are IFRS-EU and do not include other significant accounting policy choices made by ING. The accounting policies that are most significant to NN Group are included in section “Critical accounting policies”.

CHANGES IN ACCOUNTING POLICIES IN 2013

The following new and/or amended IFRS-EU standards were implemented by NN Group in 2013:

- Amendments to IAS 19 “Employee Benefits”;
- Amendments to IAS 1 “Presentation of Financial Statements”;
- Amendments to IFRS 7 “Financial instruments: Disclosures”; and
- IFRS 13 “Fair Value Measurement”.

(1) In this Prospectus, the principal activities of NN Group are described in the section “Business”.

Notes to the Consolidated annual accounts of NN Group continued

Amendments to IAS 19 “Employee Benefits”

The most significant change in the revised IAS 19 “Employee Benefits” relates to the accounting for defined benefit pension obligations and the corresponding plan assets. The amendments require immediate recognition in Other comprehensive income (i.e. in equity) of changes in the defined benefit obligation and in the fair value of plan assets due to actuarial gains and losses. The deferral of actuarial gains and losses through the “corridor approach”, which was applied under the previous version of IAS 19 until the end of 2012, is no longer allowed. As a related consequence, deferred actuarial gains and losses are no longer released to the Consolidated profit and loss account upon curtailment. Furthermore, the amendments require the return on plan assets for the purpose of calculating the pension expense to be determined using a high-quality corporate bond rate, equal to the discount rate of the defined benefit obligation; until the end of December 2012 management’s best estimate was applied. The amendments also introduce a number of other changes and extended disclosure requirements. The implementation of the amendments to IAS 19 resulted in the recognition of accumulated actuarial gains and losses in equity as at 1 January 2013. As a result, Shareholder’s equity decreased with EUR –0.9 billion (after tax) (EUR –1.2 billion before tax) at 1 January 2013. The recognition of actuarial gains and losses in equity will create volatility in Total equity going forward. The changes in IAS 19 are implemented retrospectively; as a result, comparative amounts for previous periods have been restated and are presented as if the new requirements were always applied.

The impact of the changes in IAS 19 for the year 2013 mainly relates to the recognition of the remeasurement of the Net defined benefit asset/liability in equity. As disclosed in Note 13 “Equity” the amount of the Net defined benefit asset/liability remeasurement reserve is EUR –1,042 million at 31 December 2013 (31 December 2012: EUR –1,000 million; 31 December 2011: EUR –90 million). Without the changes in IAS 19, this negative reserve would not have reduced equity.

The impact of changes in IAS 19 on previous annual reporting periods is as follows:

Impact on Shareholder’s equity

	31 December 2012	31 December 2011	1 January 2011
Shareholder’s equity (before change in accounting policy)	27,298	23,475	20,159
Change in Other assets – net defined benefit asset	–805	221	–451
Change in Other liabilities – net defined benefit liability	–417	–352	–278
Change in Liabilities held for sale	–4		
Change in net defined benefit asset/liability before tax	–1,226	–131	–729
Tax effect	351	68	209
Shareholder’s equity (after change in accounting policy)	26,423	23,412	19,639

Impact on Net result

	2012	2011
Net result from continuing operations (before change in accounting policy)	–194	421
Impact on staff expenses – Pension and other staff-related benefit costs	92	25
Tax effect	–22	–7
	–124	439
Discontinued operations after tax	1,189	807
Net result from continuing and discontinued operations (after change in accounting policy)	1,065	1,246

Impact on Other comprehensive income

	2012	2011
Total amount recognised directly in equity (before change in accounting policy)	2,828	2,059
Remeasurement of the net defined benefit asset/liability	–1,234	581
Changes in the composition of the group and other changes	2	–533
Tax effect	322	–137
Total amount recognised directly in equity (after change in accounting policy)	1,918	1,970

Amendments to IAS 1 “Presentation of Financial Statements”

The amendments to IAS 1 “Presentation of Financial Statements” resulted in changes to the presentation in the Consolidated statement of other comprehensive income, including a split of Other comprehensive income into items that may be recognised in the profit and loss account in future periods and items that will never be recognised in the Consolidated profit and loss account. There was no impact on Shareholder’s equity, Net result and/or Other comprehensive income.

Notes to the Consolidated annual accounts of NN Group continued

Amendments to IFRS 7 "Financial instruments: Disclosures"
The amendments to IFRS 7 "Financial instruments: Disclosures" introduced additional disclosures on offsetting (netting) of financial instruments in the Consolidated balance sheet and on the potential effect of netting arrangements. There was no impact on Shareholder's equity, Net result and/or Other comprehensive income. Reference is made to Note 46 "Offsetting financial assets and liabilities".

IFRS 13 "Fair Value Measurement"
IFRS 13 "Fair Value Measurement" brings together in one standard all guidance on how to determine fair value. It does not change the scope of assets/liabilities that are measured at fair value. NN Group's interpretation of fair value measurement is not significantly different from the guidance in IFRS 13. Therefore, the implementation of IFRS 13 "Fair Value Measurement" at 1 January 2013 did not have a significant impact on Shareholder's equity, Net result and/or Other comprehensive income. In addition, IFRS 13 introduces an extended scope for the disclosure of the fair value by level of fair value hierarchy for non-financial assets and liabilities and financial instruments not measured at fair value. Reference is made to Note 40 "Fair value of assets and liabilities".

OTHER SIGNIFICANT CHANGES IN 2013
The comparison of balance sheet items between 31 December 2013 and 31 December 2012 is impacted by the Initial Public Offering ("IPO") of ING U.S., Inc. the U.S.-based retirement, investment and insurance business ("ING U.S."),the transfer of ING U.S. to ING Groep N.V., the classification to continuing operations of ING Life Japan and the Japanese Closed Block VA guarantees reinsured to ING RE ("NN Group's business in Japan"), the divestment of companies as disclosed in Note 49 "Companies and businesses acquired and divested" and by the held for sale classification as disclosed in Note 11 "Assets and liabilities held for sale" and Note 33 "Discontinued operations".

Changes in assets and liabilities due to the transfer of ING U.S., the classification to continuing operations of NN Group's business in Japan and as a result of the classification of other disposal groups as held for sale are included in the notes in the line "Changes in the composition of the group and other changes".

ING U.S.
In May 2013, ING U.S. was successfully listed on the New York Stock Exchange (NYSE). As a result of the IPO, ING's ownership interest in ING U.S. was reduced from 100% to 71.25%. At 30 September 2013, the remaining interest in ING U.S. was transferred to ING Groep N.V. by way of dividend in kind. As of the date of transfer, ING U.S. ceased to be consolidated; the results for the period until transfer are presented as discontinued operations.

Reference is made to Note 53 "Other events".

NN GROUP'S BUSINESS IN JAPAN
After carefully exploring and evaluating the options available for the divestment of ING Life Japan, it was concluded that a standalone divestment of ING Life Japan, including its Corporate Owned Life Insurance (COLI) and Closed Block VA businesses, is not feasible in a manner that would appropriately meet the demands of regulators and other stakeholders in ING Group and ING Life Japan. Therefore, ING Life Japan will be combined ING's European insurance and investment management businesses in the base case IPO of NN Group in 2014. As a result, ING Life Japan and the Japanese Closed Block VA guarantees reinsured to ING Re ("NN Group's business in Japan") are no longer classified as held for sale and discontinued operations. Reference is made to Note 53 "Other events".

Based on the above events, changes were made to the segment reporting as disclosed in Note 36 "Segments".

The presentation of, and certain terms used in, the consolidated balance sheet, the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and certain notes 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 respective notes when significant.

UPCOMING CHANGES AFTER 2013
The following new or revised standards and interpretations will become effective for NN Group from 1 January 2014, if and when endorsed by the EU:
- IFRS 10 "Consolidated Financial Statements";
- IFRS 11 "Joint Arrangements" and amendments to IAS 28 "Investments in Associates and Joint Ventures";
- IFRS 12 "Disclosure of Interests in Other Entities";
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27);
- Amendments to IAS 32 "Presentation – Offsetting Financial Assets and Financial Liabilities";
- Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting";
- IFRIC 21 "Levies"; and
- Amendments to IAS 36 "Recoverable amount disclosures for non-financial assets".

Notes to the Consolidated annual accounts of NN Group continued

The significant upcoming changes in IFRS-EU after 2013 are explained below.

IFRS 10 “Consolidated Financial Statements”
IFRS 10 “Consolidated Financial Statements” introduces amendments to the criteria for consolidation. Similar to the requirements that are applicable until the end of 2013, all entities controlled by NN Group will be included in the Consolidated annual accounts. However, IFRS 10 redefines control as being exposed to variable returns and having the ability to affect those returns through power over the investee. The requirements of IFRS 10 are generally similar to the policies and interpretations that NN Group applied prior to the introduction of IFRS 10. Therefore the implementation of the standard as at 1 January 2014 will not have a significant impact on Shareholder’s equity, Net result and/or Other comprehensive income.

IFRS 11 “Joint Arrangements” and amendments to IAS 28 “Investments in Associates and Joint Ventures”
IFRS 11 “Joint Arrangements” and the related amendments to IAS 28 “Investments in Associates and Joint Ventures” eliminate the proportionate consolidation method for joint ventures that was applied by NN Group. Under the new requirements, all joint ventures will be reported using the equity method of accounting (similar to the accounting that is already applied for Investments in associates). The implementation of IFRS 11 as at 1 January 2014 will not have a significant impact on Shareholder’s equity, Net result and/or Other comprehensive income. The impact of the application of IFRS 11 “Joint Arrangements” is included in the table below.

IFRS 12 “Disclosure of Interests in Other Entities”
IFRS 12 “Disclosure of Interests in Other Entities” introduces extended disclosure requirements for subsidiaries, associates, joint ventures and structured entities. The implementation of IFRS 12 will not have an impact on Shareholder’s equity, Net result and/or Other comprehensive income.

Summary of impact as at 1 January 2014
The impact of the above mentioned changes of IFRS requirements that are implemented as of 1 January 2014 is summarised as follows:

Upcoming changes in IFRS-EU in 2014

	IFRS 11 “Joint Arrange-ments”
Assets held for sale	–442
Assets – other	–1
Impact on Total assets	–443
Liabilities held for sale	–442
Liabilities – other	–1
Impact on Total liabilities	–443
Impact on Shareholder’s equity	0

IFRS 9 “Financial Instruments”
IFRS 9 “Financial Instruments” was originally issued in November 2009, reissued in October 2010, and then amended in November 2013. Further amendments are expected to be finalised in 2014. The current version of IFRS 9 does not include a mandatory effective date. An effective date will be added when all phases of the project are complete and a final version of IFRS 9 is issued. The mandatory effective date of IFRS 9 is expected to be 2018. IFRS 9 is also not yet endorsed by the EU. Implementation of IFRS 9, if and when finalised and endorsed by the EU, may have a significant impact on Shareholder’s equity, Net result and/or Other comprehensive income.

Accounting for GMDB in Japan Closed Block VA
NN Group applies fair value accounting to the reserves for Guaranteed Minimum Death Benefits (GMDB) of the Japan Closed Block VA from 1 January 2014. Reference is made to Note 55 “Subsequent events”.

Notes to the Consolidated annual accounts of NN Group continued

CRITICAL ACCOUNTING POLICIES

NN Group has identified the accounting policies that are most critical to its business operations and to the understanding of its results. These critical accounting policies are those which involve the most complex or subjective decisions or assessments, and relate to insurance provisions, deferred acquisition costs and value of business acquired, the determination of the fair value of real estate and financial assets and liabilities, impairments and employee benefits. In each case, the determination of these items is fundamental to the financial condition and results of operations, and requires management to make complex judgements based on information and financial data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgements as to future events and are subject to change, as the use of different assumptions or data could produce significantly different results. For a further discussion of the application of these accounting policies, reference is made to the applicable notes to the consolidated annual accounts and the information below under “Principles of valuation and determination of results”.

INSURANCE PROVISIONS, DEFERRED ACQUISITION COSTS (DAC) AND VALUE OF BUSINESS ACQUIRED (VOBA)

The determination of insurance provisions, DAC and VOBA is an inherently uncertain process, involving assumptions about factors such as court decisions, changes in laws, social, economic and demographic trends, inflation, investment returns, policyholder behaviour and other factors, and, in the life insurance business, assumptions concerning mortality and morbidity trends. Specifically, assumptions related to these items that could have a significant impact on financial results include interest rates, mortality, morbidity, property and casualty claims, investment yields on equity and real estate, foreign currency exchange rates and reserve adequacy assumptions.

The use of different assumptions could have a significant effect on insurance provisions and underwriting expenditure. Changes in assumptions may lead to changes in the insurance provisions over time. Furthermore, some of these assumptions can be volatile.

In addition, the adequacy of insurance provisions, net of DAC and VOBA, is evaluated regularly. The test involves comparing the established insurance provision with current best estimate assumptions about factors such as court decisions, changes in laws, social, economic and demographic trends, inflation, investment returns, policyholder behaviour, mortality and morbidity trends and other factors. The use of different assumptions in this test could lead to a different outcome.

Insurance provisions also include the impact of minimum guarantees which are contained within certain variable annuity products. This impact is dependent upon the difference between the potential minimum benefits payable and the total account balance, expected mortality and surrender rates. The determination of the potential minimum benefits payable also involves the use of assumptions about factors such as inflation, investment returns, policyholder behaviour, mortality and morbidity trends and other factors. The use of different assumptions about these factors could have a significant effect on insurance provisions and underwriting expenditure.

The process of defining methodologies and assumptions for insurance provisions, DAC and VOBA is governed by risk management of NN Group as described in the “Risk management” section.

Reference is made to the “Risk management” section for a sensitivity analysis of Net result to insurance, interest rate, equity, foreign currency and real estate risks. These sensitivities are based on changes in assumptions that management considers reasonably likely at the balance sheet date.

FAIR VALUE OF REAL ESTATE

Real estate investments are reported at fair value. The fair value of real estate investments is based on regular appraisals by independent, qualified valuers. The fair value is established using valuation methods such as: comparable market transactions, capitalisation of income methods or discounted cash flow calculations. The underlying assumption used in the valuation is that the properties are let or sold to third parties based on the actual letting status. The discounted cash flow analyses and capitalisation of income method are based on calculations of the future rental income in accordance with the terms in existing leases and estimations of the rental values for new leases when leases expire and incentives like rental free periods. The cash flows are discounted using market based interest rates that reflect appropriately the risk characteristics of real estate.

Market conditions in recent years have led to a reduced level of real estate transactions. Consequently, 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. Transaction values were significantly impacted by low volumes of actual transactions. As a result comparable market transactions have been used less in valuing NN Group’s real estate investments by independent qualified valuers. More emphasis has been placed on discounted cash flow analysis and capitalisation of income method.

Reference is made to Note 40 “Fair value of assets and liabilities” for more disclosure on fair value at balance sheet date of real estate investments.

The use of different assumptions and techniques could produce significantly different valuations. To illustrate the uncertainty of the real estate investments valuation, a sensitivity analysis on the changes in fair value of real estate is provided in the “Risk management” section.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of financial assets and liabilities are based on unadjusted quoted market price at the balance sheet date where available. Such quoted market prices are primarily obtained from exchange prices for listed instruments. Where an exchange price is not available, market prices may be obtained from independent market vendors, brokers or market makers. In general, positions are valued taking the bid price for a long position and the offer price for a short position. In some cases where positions are marked at mid-market prices, a fair value adjustment is calculated.

When markets are less liquid there may be a range of prices for the same security from different price sources, selecting the most appropriate price requires judgement and could result in different estimates of the fair value.

For certain financial assets and liabilities quoted market prices are not available. For these financial assets and liabilities, fair value is determined using valuation techniques. These valuation techniques range from discounting of cash flows to valuation models, where relevant pricing factors including the market price of underlying reference instruments, market parameters (volatilities, correlations and credit ratings) and customer behaviour are taken into account. All valuation techniques used are subject to internal review and approval. Most data used in these valuation techniques are validated on a daily basis.

Valuation techniques are subjective in nature and significant judgement is involved in establishing the fair value for certain financial assets and liabilities. Valuation techniques involve various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce significantly different estimates of the fair value.

Price testing is performed to assess whether the process of valuation has led to an appropriate fair value of the position and to an appropriate reflection of these valuations in the profit and loss account. Price testing is performed to minimise the potential risks for economic losses due to incorrect or misused models.

Reference is made to Note 40 “Fair value of assets and liabilities” and the “Risk management” section for the basis of the determination of the fair value of financial instruments and related sensitivities.

IMPAIRMENTS

Impairment evaluation is a complex process that inherently involves significant judgements and uncertainties that may have an impact on NN Group’s Consolidated annual accounts. Impairments are especially relevant in two areas: Available-for-sale debt and equity securities and Goodwill/Intangible assets.

All debt and equity securities (other than those carried at fair value through profit or loss) are subject to impairment testing every reporting period. The carrying value is reviewed in order to determine whether an impairment loss has been incurred. Evaluation for impairment includes both quantitative and qualitative considerations. For debt securities, such considerations include actual and estimated incurred credit losses indicated by payment default, market data on (estimated) incurred losses and other current evidence that the issuer may be unlikely to pay amounts when due. Equity securities are impaired when management believes that, based on a significant or prolonged decline of the fair value below the acquisition price, there is sufficient reason to believe that the acquisition cost may not be recovered. “Significant” and “prolonged” are interpreted on a case-by-case basis for specific equity securities. Generally 25% and 6 months are used as triggers. Upon impairment, the full difference between the (acquisition) cost and fair value is removed from equity and recognised in Net result. Impairments on debt securities may be reversed if there is a decrease in the amount of the impairment which can be objectively related to an observable event. Impairments on equity securities cannot be reversed.

Impairments on other debt instruments (Loans and advances to customers) are part of the loan loss provision as described below.

Impairment reviews with respect to goodwill and intangible assets are performed at least annually, and more frequently if events indicate that impairments may have occurred. Goodwill is tested for impairment by comparing the carrying value (including goodwill) of the reporting unit to the best estimate of the recoverable amount of that reporting unit. The carrying value is determined as the IFRS-EU net asset value including goodwill. The recoverable amount is estimated as the higher of fair value less cost to sell and value in use. Several methodologies are applied to arrive at the best estimate of the recoverable amount. A reporting unit is the lowest level at which goodwill is monitored. Intangible assets are tested for impairment by comparing the carrying value with the best estimate of the recoverable amount.

Notes to the Consolidated annual accounts of NN Group continued

The identification of impairment is an inherently uncertain process involving various assumptions and factors, including financial condition of the counterparty, expected future cash flows, statistical loss data, discount rates, observable market prices, etc. Estimates and assumptions are based on management's judgement and other information available prior to the issuance of the financial statements. Significantly different results can occur as circumstances change and additional information becomes known.

EMPLOYEE BENEFITS
Group companies operate defined benefit retirement plans covering a significant number of NN Group's employees.

The net defined benefit asset/liability recognised in the balance sheet in respect of the defined benefit pension plans is the fair value of the plan assets less the present value of the defined benefit obligation at the balance sheet date.

The determination of the defined benefit obligation is based on internal and external actuarial models and calculations. The defined benefit obligation is calculated using the projected unit credit method. Inherent in these actuarial models are assumptions including discount rates (in particular based on market yields on high quality corporate bonds), rates of increase in future salary and benefit levels, mortality rates, trend rates in health care costs and consumer price index and are updated on a quarterly basis.

The actuarial assumptions may differ significantly from the actual parameters due to changes in market conditions, economic and mortality trends, and other assumptions. Any changes in these assumptions could have a significant impact on the net defined benefit asset/liability and future pension costs. Reference is made to Note 38 "Pension and other post-employment benefits" for the weighted averages of basic actuarial assumptions in connection with pension and other post-employment benefits.

PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS

CONSOLIDATION
NN Group comprises NN Group N.V. and all its subsidiaries. The consolidated financial statements of NN Group comprise the accounts of NN Group N.V. and all entities in which it either owns, directly or indirectly, more than half of the voting power or over which it has control of their operating and financial policies through situations including, but not limited to:
- Ability to appoint or remove the majority of the board of directors;
- Power to govern such policies under statute or agreement; and
- Power over more than half of the voting rights through an agreement with other investors.

A list of principal subsidiaries is included in Note 50 "Principal subsidiaries".

The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether NN Group controls another entity. For interests in investment vehicles, the existence of control is determined taking into account both NN Group's financial interests for own risk and its role as investment manager. Financial interests for risk of policyholders are not taken into account when the policyholders decide on the investment allocations of their insurance policies and assume all risks and benefits on these investments.

The results of the operations and the net assets of subsidiaries are included in the profit and loss account and the balance sheet from the date control is obtained until the date control is lost. On disposal, the difference between the sales proceeds, net of directly attributable transaction costs, and the net assets is included in Net result.

A subsidiary which NN Group has agreed to sell but is still legally owned by NN Group may still be controlled by NN Group at the balance sheet date and, therefore, still be included in the consolidation. Such a subsidiary may be presented as held for sale if certain conditions are met.

All intercompany transactions, balances and unrealised surpluses and deficits on transactions between group companies are eliminated. Where necessary, the accounting policies used by subsidiaries are changed to ensure consistency with NN Group policies. In general, the reporting dates of subsidiaries are the same as the reporting date of NN Group N.V.

NN Group N.V. and its Dutch group companies are subject to legal restrictions regarding the amount of dividends they can pay to their shareholders. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to the excess of the company's own funds over the sum of the paid–up capital, and reserves required by law. Additionally, certain group companies are subject to restrictions on the amount of funds they may transfer in the form of dividends, or otherwise, to the parent company.

Furthermore, in addition to the restrictions in respect of minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries operate, other limitations exist in certain countries.

Notes to the Consolidated annual accounts of NN Group continued

NN Group's interests in jointly controlled entities are accounted for using proportionate consolidation. NN Group proportionately consolidates its share of the joint ventures' individual income and expenses, assets and liabilities, and cash flows on a line-by-line basis with similar items in NN Group's financial statements. NN Group recognises the portion of gains or losses on the sale of assets to the joint venture that is attributable to the other venturers. NN Group does not recognise its share of profits or losses from the joint venture that results from the purchase of assets by NN Group from the joint venture until it resells the assets to a third party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately.

Disposal groups classified as held for sale or discontinued operations
Disposal groups (and groups of non-current assets) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This is only the case when the sale is highly probable and the disposal group (or group of assets) is available for immediate sale in its present condition; management must be committed to the sale, which is expected to occur within one year from the date of classification as held for sale.

Upon classification as held for sale, the carrying amount of the disposal group (or group of assets) is compared to their fair value less cost to sell. If the fair value less cost to sell is lower than the carrying value, this expected loss is recognised through a reduction of the carrying value of any goodwill related to the disposal group or the carrying value of certain other non-current non-financial assets to the extent that the carrying value of those assets exceeds their fair value. Any excess of the expected loss over the reduction of the carrying amount of these relevant assets is not recognised upon classification as held for sale, but is recognised as part of the result on disposal if and when a divestment transaction occurs.

Classification into or out of held for sale does not result in restating comparative amounts in the balance sheet.

When a group of assets that is classified as held for sale or is sold also represents a major line of business or geographical area the disposal group classifies as discontinued operations. In the Consolidated profit and loss account, the income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of result after tax for both the current year and for comparative years.

USE OF ESTIMATES AND ASSUMPTIONS
The preparation of the consolidated financial statements necessitates the use of estimates and assumptions. These estimates and assumptions affect the reported amounts of the assets and liabilities and the amounts of the contingent liabilities at the balance sheet date, as well as reported income and expenses for the year. The actual outcome may differ from these estimates.

The process of setting assumptions is subject to internal control procedures and approvals, and takes into account internal and external studies, industry statistics, environmental factors and trends, and regulatory requirements.

SEGMENT REPORTING
A segment is a distinguishable component of NN Group, engaged in providing products or services, subject to risks and returns that are different from those of other segments. A geographical area is a distinguishable component of NN Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. The geographical analyses are based on the location of the office from which the transactions are originated.

ANALYSIS OF INSURANCE BUSINESS
Where amounts are analysed into "life" or "non-life", health and disability insurance business which is similar in nature to life insurance business is included in "life".

FOREIGN CURRENCY TRANSLATION
Functional and presentation currency
Items included in the financial statements of each of NN Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in euros, which is NN Group's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. Exchange rate differences resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in equity as part of qualifying cash flow hedges or qualifying net investment hedges.

Exchange rate differences on non-monetary items, measured at fair value through profit or loss are reported as part of the fair value gain or loss. Non-monetary items are translated at each date the fair value is determined. Exchange rate differences on non-monetary items measured at fair value through OCI are included in the revaluation reserve in equity.

Notes to the Consolidated annual accounts of NN Group continued

Exchange rate differences in the profit and loss account are generally included in Net trading income. Reference is made to Note 26 “Foreign currency results and Net trading income”, which discloses the amounts included in the profit and loss account. Exchange rate differences relating to the disposal of available-for-sale debt and equity securities are considered to be an inherent part of the capital gains and losses recognised in Investment income. As mentioned below in Group companies relating to the disposals of group companies, any exchange rate difference deferred in equity is recognised in the profit and loss account in Result on disposals of group companies. Reference is also made to Note 13 “Equity”, which discloses the amounts included in the profit and loss account.

Group companies
The results and financial positions of all group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities included in each balance sheet are translated at the closing rate at the date of that balance sheet;
- Income and expenses included in each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange rate differences are recognised in a separate component of equity.

On consolidation, exchange rate differences arising from the translation of a monetary item that form part of the net investment in a foreign operation, and of borrowings and other instruments designated as hedges of such investments, are taken to Shareholder’s equity. When a foreign operation is sold the corresponding exchange rate differences are recognised in the profit and loss account as part of the gain or loss on sale.

Goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate prevailing at the balance sheet date.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES
The fair value of financial instruments are based on unadjusted quoted market prices at the balance sheet date where available. The quoted market price used for financial assets held by NN Group is the current bid price; the quoted market price used for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. NN Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

Reference is made to Note 40 “Fair value of assets and liabilities” for the basis of determination of the fair value of financial instruments.

RECOGNITION AND DERECOGNITION OF FINANCIAL INSTRUMENTS
Recognition of financial assets
All purchases and sales of financial assets classified as fair value through profit and loss (excluding investments for risk of policyholders) or available-for-sale that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recognised at trade date, which is the date on which NN Group commits to purchase or sell the asset. Loans and receivables are recognised at settlement date, which is the date on which NN Group receives or delivers the asset.

Derecognition of financial assets
Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where NN Group has transferred substantially all risks and rewards of ownership. If NN Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset.

Financial liabilities
Debt securities in issue are recognised and derecognised at trade date.

Realised gains and losses on investments
Realised gains and losses on investments are determined as the difference between the sale proceeds and (amortised) cost. For equity securities the cost is determined using a weighted average per portfolio. For debt securities, the cost is determined by specific identification.

CLASSIFICATION OF FINANCIAL INSTRUMENTS

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include: equity securities, debt securities, derivatives and other, and comprise the following sub-categories: trading assets, non-trading derivatives, financial assets designated at fair value through profit or loss by management, and investments for risk of policyholders.

A financial asset is classified as at fair value through profit or loss if acquired principally for the purpose of selling in the short term or if designated by management as such. Management will make this designation only if this eliminates a measurement inconsistency or if the related assets and liabilities are managed on a fair value basis.

Investments for risk of policyholders are investments against insurance liabilities for which all changes in the fair value of invested assets are offset by similar changes in insurance liabilities.

Transaction costs on initial recognition are expensed as incurred. Interest income from debt securities and loans and receivables classified as at fair value through profit or loss is recognised in Investment income in the profit and loss account using the effective interest method.

Dividend income from equity instruments classified as at fair value through profit or loss is generally recognised in Investment income in the profit and loss account when dividend has been declared. Investment result from investments for risk of policyholders is recognised in Investment result for risk of policyholders. For derivatives reference is made to the “Derivatives and hedge accounting” section. For all other financial assets classified as at fair value through profit or loss, changes in fair value are recognised in Net trading income.

Available-for-sale investments

Investments (including loans quoted in active markets) classified as available-for-sale are initially recognised at fair value plus transaction costs. Investment securities and actively traded loans intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale.

Available-for-sale financial assets include available-for-sale debt securities and available-for-sale equity securities. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. For available-for-sale debt securities, the difference between cost and redemption value is amortised. Interest income is recognised using the effective interest method. Available-for-sale financial assets are subsequently measured at fair value. Interest income from debt securities classified as available-for-sale is recognised in Investment income in the profit and loss account. Dividend income from equity instruments classified as available-for-sale is generally recognised in Investment income in the profit and loss account when the dividend has been declared.

Unrealised gains and losses arising from changes in the fair value are recognised in equity. When the securities are disposed of, the related accumulated fair value adjustments are included in the profit and loss account as Investment income. For impairments of available-for-sale financial assets reference is made to the section “Impairments of other financial assets”. Investments in prepayment sensitive securities such as Interest-Only and Principal-Only strips are generally classified as available-for-sale.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses. Loans and receivables include Loans and advances to customers and Other assets and are reflected in these balance sheet line items. Interest income from loans and receivables is recognised in Investment income in the profit and loss account using the effective interest method.

Notes to the Consolidated annual accounts of NN Group continued

Credit risk management classification
Credit risk management disclosures are provided in the “Risk management” section. The relationship between credit risk classifications in that section and the Consolidated balance sheet classifications above is explained below:

- Lending risk arises when NN Group grants a loan to a customer, or issues guarantees on behalf of a customer and mainly relates to the balance sheet classification Loans and advances to customers and off balance sheet items e.g. obligations under financial guarantees and letters of credit;
- Investment risk comprises the credit default and migration risk that is associated with NN Group’s investment portfolio and mainly relates to the balance sheet classification Available-for-sale investments;
- Money market risk arises when NN Group places short term deposits with a counterparty in order to manage excess liquidity and among others relates to the balance sheet classifications Cash and cash equivalents and Loans and advances to customers;
- Pre-settlement risk arises when a counterparty defaults on a transaction before settlement and NN Group has to replace the contract by a trade with another counterparty at the then prevailing (possibly unfavourable) market price. The pre-settlement risk classification mainly relates to the balance sheet classification Financial assets at fair value through profit or loss (trading assets and non-trading derivatives); and
- Settlement risk arises when there is an exchange of value (funds, instruments or commodities) for the same or different value dates and receipt is not verified or expected until NN Group has paid or delivered its side of the trade. Settlement risk mainly relates to the risk arising on disposal of financial instruments that are classified in the balance sheet as Financial assets at fair value through profit or loss (trading assets and non-trading derivatives) and Available-for-sale investments.

Maximum credit risk exposure
The maximum credit risk exposure for items on the balance sheet is generally the carrying value for the relevant financial assets. For the off-balance sheet items the maximum credit exposure is the maximum amount that could be required to be paid. Reference is made to Note 47 “Contingent liabilities and commitments” for these off-balance sheet items. Collateral received is not taken into account when determining the maximum credit risk exposure.

The manner in which NN Group manages credit risk and determines credit risk exposures for that purpose is explained in the “Risk management” section.

DERIVATIVES AND HEDGE ACCOUNTING
Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. The fair value is obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques such as discounted cash flow models and options pricing models, as appropriate. Derivatives are presented as assets when the fair value is positive and as liabilities when the fair value is negative.

Some credit protection contracts that take the legal form of a derivative, such as certain credit default swaps, are accounted for as financial guarantees.

Certain derivatives embedded in other contracts are measured as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the host contract is not carried at fair value through profit or loss, and if a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. These embedded derivatives are measured at fair value with changes in fair value recognised in the profit and loss account. An assessment is carried out when NN Group first becomes party to the contract. A reassessment is carried out only when there is a change in the terms of the contract that significantly modifies the expected cash flows.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. NN Group designates certain derivatives as hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge), hedges of highly probable future cash flows attributable to a recognised asset or liability or a forecast transaction (cash flow hedge), or hedges of a net investment in a foreign operation. Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

At the inception of the transaction NN Group documents the relationship between hedging instruments and hedged items, its risk management objectives, together with the methods selected to assess hedge effectiveness. In addition NN Group documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of the hedged items.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in the profit and loss account, together with fair value adjustments to the hedged item attributable to the hedged risk. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative adjustment of the hedged item is, in the case of interest bearing instruments, amortised through the profit and loss account over the remaining term of the original hedge or recognised directly when the hedged item is derecognised. For non-interest bearing instruments, the cumulative adjustment of the hedged item is recognised in the profit and loss account only when the hedged item is derecognised.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account. Amounts accumulated in equity are recycled to the profit and loss account in the periods in which the hedged item affects Net result. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit and loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is transferred immediately to the profit and loss account.

Net investment hedges

Hedges of net investments in foreign operations are accounted for in a similar way to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity in the cash flow hedge reserve and the gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account. Gains and losses accumulated in equity are included in the profit and loss account when the foreign operation is disposed.

Non-trading derivatives that do not qualify for hedge accounting

Derivatives that are used by NN Group as part of its risk management strategies, that do not qualify for hedge accounting under NN Group's accounting policies, are presented as non-trading derivatives. Non-trading derivatives are measured at fair value with changes in the fair value taken to "Valuation results on non-trading derivatives" in the Consolidated profit and loss account.

OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are offset, and the net amount reported in the balance sheet when NN Group has a current legally enforceable right to set off the recognised amounts and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

IMPAIRMENTS OF LOANS AND ADVANCES TO CUSTOMERS (LOAN LOSS PROVISIONS)

NN Group assesses periodically and at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, but before the balance sheet date, (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The following circumstances, among others, are considered objective evidence that a financial asset or group of assets is impaired:

- The borrower has sought or has been placed in bankruptcy or similar protection and this leads to the avoidance of or delays in repayment of the financial asset;
- The borrower has failed in the repayment of principal, interest or fees and the payment failure has remained unsolved for a certain period;
- The borrower has demonstrated significant financial difficulty, to the extent that it will have a negative impact on the expected future cash flows of the financial asset;
- The credit obligation has been restructured for non-commercial reasons. NN Group has granted concessions, for economic or legal reasons relating to the borrower's financial difficulty, the effect of which is a reduction in the expected future cash flows of the financial asset; and
- Historical experience, updated for current events where necessary, provides evidence that a proportion of a group of assets is impaired although the related events that represent impairment triggers are not yet captured by NN Group's credit risk systems.

In certain circumstances NN Group grants borrowers postponement and/or reduction of loan principal and/or interest payments for a temporary period of time to maximise collection opportunities and, if possible, avoid default, foreclosure or repossession. When such postponement and/or reduction of loan principal and/or interest payments is executed based on credit concerns it is also referred to as "forbearance". In general, forbearance represents an impairment trigger under IFRS-EU. In such cases, the net present value of the postponement and/or reduction of loan and/or interest payments is taken into account in the determination of the appropriate level of Loan loss provisioning as described below. If the forbearance results in a substantial modification of the terms of the loan, the original loan is derecognised and a new loan is recognised at its fair value at the modification date.

Notes to the Consolidated annual accounts of NN Group continued

NN Group does not consider events that may be expected to occur in the future as objective evidence, and consequently they are not used as a basis for concluding that a financial asset or group of assets is impaired.

In determining the impairment, expected future cash flows are estimated on the basis of the contractual cash flows of the assets in the portfolio and historical loss experience for assets with credit risk characteristics similar to those in the portfolio. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. Losses expected as a result of future events, no matter how likely, are not recognised.

NN Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and then individually or collectively for financial assets that are not individually significant. If NN Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on an asset carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account ("Loan loss provision") and the amount of the loss is recognised in the profit and loss account under "Investment income". If the asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. The collective evaluation of impairment includes the application of a "loss confirmation period" to default probabilities. The loss confirmation period is a concept which recognises that there is a period of time between the emergence of impairment triggers and the point in time at which those events are captured by NN Group's credit risk systems. Accordingly, the application of the loss confirmation period ensures that impairments that are incurred but not yet identified are adequately reflected in NN Group's loan loss provision. Although the loss confirmation periods are inherently uncertain, NN Group applies estimates to sub-portfolios (e.g. large corporations, small and medium size enterprises and retail portfolios) that reflect factors such as the frequency with which customers in the sub-portfolio disclose credit risk sensitive information and the frequency with which they are subject to review by the NN Group's account managers. Generally, the frequency increases in relation to the size of the borrower. Loss confirmation periods are based on historical experience and are validated, and revised where necessary, through regular back-testing to ensure that they reflect recent experience and current events.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the provision. The amount of the reversal is recognised in the profit and loss account.

When a loan is uncollectable, it is written off against the related loan loss provision. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised in the profit and loss account.

IMPAIRMENT OF OTHER FINANCIAL ASSETS

At each balance sheet date NN Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the specific case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. "Significant" and "prolonged" are interpreted on a case-by-case basis for specific equity securities; generally 25% and 6 months are used as triggers. If any objective evidence exists for available-for-sale debt and equity investments, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in Net result – is removed from equity and recognised in the profit and loss account. Impairment losses recognised on equity instruments can never be reversed. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account, the impairment loss is reversed through the profit and loss account.

INVESTMENTS IN ASSOCIATES

Associates are all entities over which NN Group has significant influence but not control. Significant influence generally results from a shareholding of between 20% and 50% of the voting rights, but also is the ability to participate in the financial and operating policies through situations including, but not limited to one or more of the following:

- Representation on the board of directors;
- Participation in the policy making process; and
- Interchange of managerial personnel.

Investments in associates are initially recognised at cost and subsequently accounted for using the equity method of accounting.

NN Group's investment in associates (net of any accumulated impairment loss) includes goodwill identified on acquisition. NN Group's share of its associates' post-acquisition profits or losses is recognised in the profit and loss account, and its share of post-acquisition changes in reserves is recognised in equity. The cumulative post-acquisition changes are adjusted against the carrying amount of the investment. When NN Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, NN Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between NN Group and its associates are eliminated to the extent of NN Group's interest in the associates. Unrealised losses are also eliminated unless they provide evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by NN Group. The reporting dates of all significant associates are consistent with the reporting date of NN Group.

For interests in investment vehicles the existence of significant influence is determined taking into account both NN Group's financial interests for own risk and its role as investment manager.

REAL ESTATE INVESTMENTS

Real estate investments are recognised at fair value at the balance sheet date. Changes in the carrying amount resulting from revaluations are recognised in the profit and loss account. On disposal the difference between the sale proceeds and carrying value is recognised in the profit and loss account.

The fair value of real estate investments is based on regular appraisals by independent qualified valuers. For each reporting period every property is valued either by an independent valuer or internally. Indexation is used when a property is valued internally. The index is based on the results of the independent valuations carried out in that period. Market transactions and disposals made by NN Group are monitored as part of the validation procedures to test the indexation methodology. Valuations performed earlier in the year are updated if necessary to reflect the situation at the year-end. All properties are valued independently at least every five years and more frequently if necessary.

The fair value represents the estimated amount for which the property could be exchanged on the date of valuation between a willing buyer and willing seller in an at-arm's-length transaction after proper marketing wherein the parties each acted knowledgeably, prudently and without compulsion. The fair value is based on appraisals using valuation methods such as: comparable market transactions, capitalisation of income methods or discounted cash flow calculations. The underlying assumption used in the valuation is that the properties are let or sold to third parties based on the actual letting status. The discounted cash flow analyses and capitalisation of income method are based on calculations of the future rental income in accordance with the terms in existing leases and estimations of the rental values for new leases when leases expire and incentives like rent free periods. The cash flows are discounted using market based interest rates that reflect appropriately the risk characteristics of real estate.

NN Group owns a real estate portfolio, diversified by region, by investment segment (Office, Retail and Residential) and by investment type. The valuation of different investments is performed using different discount rates ("yields"), dependent on specific characteristics of each property, including occupancy, quality of rent payments and specific local market circumstances. For NN Group's main direct properties in its main locations, the yields applied in the 2013 year-end valuation generally are in the range of 5% to 8%.

The valuation of real estate investments takes (expected) vacancies into account. Occupancy rates differ significantly from investment to investment.

Subsequent expenditures are recognised as part of the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to NN Group and the cost of an item can be measured reliably. All other repairs and maintenance costs are recognised in the profit and loss account.

For real estate investments held through (minority shares in) real estate investment funds, the valuations are performed under the responsibility of the funds' asset manager.

Notes to the Consolidated annual accounts of NN Group continued

PROPERTY AND EQUIPMENT

Property in own use

Land and buildings held for own use are stated at fair value at the balance sheet date. Increases in the carrying amount arising on revaluation of land and buildings held for own use are credited to the revaluation reserve in Shareholder's equity. Decreases in the carrying amount that offset previous increases of the same asset are charged against the revaluation reserve directly in equity; all other decreases are charged to the profit and loss account. Increases that reverse a revaluation decrease on the same asset previously recognised in net result are recognised in the profit and loss account. Depreciation is recognised based on the fair value and the estimated useful life (in general 20-50 years). Depreciation is calculated on a straight-line basis. On disposal the related revaluation reserve is transferred to retained earnings.

The fair value of land and buildings are based on regular appraisals by independent qualified valuers or internally, similar to appraisals of real estate investments. Subsequent expenditure is included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to NN Group and the cost of the item can be measured reliably.

Property obtained from foreclosures

Property obtained from foreclosures is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Property obtained from foreclosures is included in Other assets – Property development and obtained from foreclosures.

Property under development

Property developed and under development for which NN Group has the intention to sell the property after its completion is included in Other assets – Property development and obtained from foreclosures.

Property developed and under development for which NN Group has the intention to sell the property under development after its completion and where there is not yet a specifically negotiated contract is measured at direct construction cost incurred up to the balance sheet date, including borrowing costs incurred during construction and NN Group's own directly attributable development and supervision expenses less any impairment losses. Profit is recognised using the completed contract method (on sale date of the property). Impairment is recognised if the estimated selling price in the ordinary course of business, less applicable variable selling expenses is lower than carrying value.

Property under development for which NN Group has the intention to sell the property under development after its completion and where there is a specifically negotiated contract, is valued using the percentage of completion method (pro rata profit recognition). The stage of completion is measured by reference to costs incurred to date as a percentage of total estimated costs for each contract.

Property under development is stated at fair value (with changes in fair value recognised in the profit and loss account) if NN Group has the intention to recognise the property under development after completion as real estate investments.

Equipment

Equipment is stated at cost less accumulated depreciation and any impairment losses. The cost of the assets is depreciated on a straight-line basis over their estimated useful lives, which are generally as follows: for data processing equipment two to five years, and four to ten years for fixtures and fittings. Expenditure incurred on maintenance and repairs is recognised in the profit and loss account as incurred. Expenditure incurred on major improvements is capitalised and depreciated.

Disposals

The difference between the proceeds on disposal and net carrying value is recognised in the profit and loss account under Other income.

Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Borrowing costs are determined at the weighted average cost of capital of the project.

LEASES

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date.

NN Group as the lessee

The leases entered into by NN Group are primarily operating leases. The total payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any penalty payment to be made to the lessor is recognised as an expense in the period in which termination takes place.

ACQUISITIONS, GOODWILL AND OTHER INTANGIBLE ASSETS

Acquisitions and goodwill

NN Group's acquisitions are accounted for using the acquisition method of accounting. The consideration for each acquisition is measured at the aggregate of the fair value (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree. Goodwill, being the difference between the cost of the acquisition (including assumed debt) and NN Group's interest in the fair value of the acquired assets, liabilities and contingent liabilities as at the date of acquisition, is capitalised as an intangible asset. The results of the operations of the acquired companies are included in the profit and loss account from the date control is obtained.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRS's, taking into account the initial accounting period below. Changes in the fair value of the contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, NN Group's previously held interests in the assets and liabilities of the acquired entity are remeasured to fair value at the acquisition date (i.e. the date NN Group obtains control) and the resulting gain or loss, if any, is recognised in the profit and loss account. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the profit and loss account, where such treatment would be appropriate if that interest were disposed of. Acquisition-related costs are recognised in the profit and loss account as incurred and presented in the profit and loss account as Other operating expenses.

Until 2009, before IFRS 3 "Business Combinations" was revised, the accounting of previously held interests in the assets and liabilities of the acquired entity were not remeasured at the acquisition date and the acquisition-related costs were considered to be part of the total consideration.

The initial accounting for the fair value of the net assets of the companies acquired during the year may be determined only provisionally as the determination of the fair value can be complex and the time between the acquisition and the preparation of the Annual Accounts can be limited. The initial accounting shall be completed within a year after acquisition.

Goodwill is only capitalised on acquisitions after the implementation date of IFRS-EU (1 January 2004). Accounting for acquisitions before that date has not been restated; goodwill and internally generated intangibles on these acquisitions were recognised directly in Shareholder's equity. Goodwill is allocated to reporting units for the purpose of impairment testing. These reporting units represent the lowest level at which goodwill is monitored for internal management purposes. This test is performed annually or more frequently if there are indicators of impairment. Under the impairment tests, the carrying value of the reporting units (including goodwill) is compared to its recoverable amount which is the higher of its fair value less costs to sell and its value in use.

Adjustments to the fair value at the date of acquisition of acquired assets and liabilities that are identified within one year after acquisition are recognised as an adjustment to goodwill; any subsequent adjustment is recognised as income or expense. On disposal of group companies, the difference between the sale proceeds and carrying value (including goodwill) and the unrealised results (including the currency translation reserve in equity) is included in the profit and loss account.

Computer software

Computer software that has been purchased or generated internally for own use is stated at cost less amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over its useful life. This period will generally not exceed three years. Amortisation is included in Other operating expenses.

Value of business acquired (VOBA)

VOBA is an asset that represents the present value of estimated net cash flows embedded in the insurance contracts of an acquired company, which existed at the time the company was acquired. It represents the difference between the fair value of insurance liabilities and their carrying value. VOBA is amortised in a similar manner to the amortisation of deferred acquisition costs as described in the section "Deferred acquisition costs".

Other intangible assets

Other intangible assets are capitalised and amortised over their expected economic life, which is generally between three and ten years. Intangible assets with an indefinite life are not amortised.

DEFERRED ACQUISITION COSTS

Deferred acquisition costs (DAC) are an asset and represent costs of acquiring insurance and investment contracts that are deferred and amortised. The deferred costs, all of which vary with (and are primarily related to) the production of new and renewal business, consist principally of commissions, certain underwriting and contract issuance expenses, and certain agency expenses.

Notes to the Consolidated annual accounts of NN Group continued

For traditional life insurance contracts, certain types of flexible life insurance contracts and non-life contracts, DAC is amortised over the premium payment period in proportion to the premium revenue recognised.

For other types of flexible life insurance contracts DAC is amortised over the lives of the policies in relation to the emergence of estimated gross profits. Amortisation is adjusted when estimates of current or future gross profits, to be realised from a group of products, are revised. The estimates and the assumptions are reassessed at the end of each reporting period. Higher/lower expected profits (e.g. reflecting stock market performance or a change in the level of assets under management) may cause a lower/higher balance of DAC due to the catch-up of amortisation in previous and future years. This process is known as DAC unlocking. The impact of the DAC unlocking is recognised in the profit and loss account of the period in which the unlocking occurs.

DAC is evaluated for recoverability at issue. Subsequently it is tested on a regular basis together with the provision for life insurance liabilities and VOBA. The test for recoverability is described in the section “Insurance, Investment and Reinsurance Contracts”.

For certain products DAC is adjusted for the impact of unrealised results on allocated investments through equity.

TAXATION
Income tax on the result for the year comprises current and deferred tax. Income tax is recognised in the profit and loss account but is recognised directly in equity if the tax relates to items that are recognised directly in equity.

Deferred income tax
Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) applicable in the jurisdictions in which NN Group is liable to taxation, that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets and liabilities are not discounted.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by NN Group and it is probable that the difference will not reverse in the foreseeable future. The tax effects of income tax losses available for carry forward are recognised as an asset where it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to fair value remeasurement of available-for-sale investments and cash flow hedges, which are recognised directly in equity, is also recognised directly in equity and is subsequently recognised in the profit and loss account together with the deferred gain or loss.

FINANCIAL LIABILITIES
Financial liabilities at amortised cost
Financial liabilities at amortised cost include the following sub-categories: Other borrowed funds, debt securities in issue and subordinated loans. Borrowings are recognised initially at their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs, and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

If NN Group purchases its own debt, it is removed from the balance sheet, and the difference between the carrying amount of the liability and the consideration paid is included in the profit and loss account.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss comprise non-trading derivatives.

INSURANCE, INVESTMENT AND REINSURANCE CONTRACTS
Provisions for liabilities under insurance contracts are established in accordance with IFRS 4 “Insurance Contracts”. Under IFRS 4, an insurer may continue its existing pre-IFRS accounting policies for insurance contracts, provided that certain minimum requirements are met. Upon adoption of IFRS-EU in 2005, NN Group decided to continue the then existing accounting principles for insurance contracts under IFRS-EU. NN Group operates in many different countries and the accounting principles for insurance contracts follow local practice in these countries. For NN Group’s businesses in the Netherlands, NN Group for example applies accounting standards generally accepted in the Netherlands (Dutch GAAP) for its provisions for liabilities under insurance contracts.

Changes in those local accounting standards (including Dutch GAAP) subsequent to the adoption of IFRS-EU are considered for adoption on a case-by-case basis. If adopted, the impact thereof is accounted for as a change in accounting policy under IFRS-EU.

In addition, for certain specific products or components thereof, NN Group applies the option in IFRS 4 to measure (components of) the provisions for liabilities under insurance contracts using market consistent interest rates and other current estimates and assumptions. This relates mainly to certain guarantees embedded in insurance contracts in Japan.

Insurance contracts
Insurance policies which bear significant insurance risk and/or contain discretionary participation features are presented as insurance contracts. Provisions for liabilities under insurance contracts represent estimates of future payouts that will be required for life and non-life insurance claims, including expenses relating to such claims. For some insurance contracts the measurement reflects current market assumptions. Unless indicated otherwise below changes in the insurance provisions are recognised in the profit and loss account.

Provision for life insurance
The Provision for life insurance is generally calculated on the basis of a prudent prospective actuarial method, taking into account the conditions for current insurance contracts. Specific methodologies may differ between business units as they may reflect local regulatory requirements and local practices for specific product features in the local markets.

Insurance provisions on traditional life policies are calculated using various assumptions, including assumptions on mortality, morbidity, expenses, investment returns and surrenders. Assumptions for insurance provisions on traditional life insurance contracts, including traditional whole life and term life insurance contracts, are based on best estimate assumptions including margins for adverse deviations. Generally the assumptions are set initially at the policy issue date and remain constant throughout the life of the policy.

Insurance provisions for universal life, variable life and annuity contracts, unit-linked contracts, etc. are generally set equal to the balance that accrues to the benefit of the policyholders. Certain variable annuity products contain minimum guarantees on the amounts payable upon death and/or maturity. The insurance provisions include the impact of these minimum guarantees, taking into account the difference between the potential minimum benefit payable and the total account balance, expected mortality and surrender rates.

The as yet unamortised interest rate rebates on periodic and single premium contracts are deducted from the Provision for life insurance. Interest rate rebates granted during the year are capitalised and amortised in conformity with the anticipated recovery pattern and are recognised in the profit and loss account.

Provision for unearned premiums and unexpired insurance risks
The provision is calculated in proportion to the unexpired periods of risk. For insurance policies covering a risk increasing during the term of the policy at premium rates independent of age, this risk is taken into account when determining the provision. Further provisions are made to cover claims under unexpired insurance contracts, which may exceed the unearned premiums and the premiums due in respect of these contracts.

Claims provision
The Claims provision is calculated either on a case-by-case basis or by approximation on the basis of experience. Provisions have also been made for claims incurred but not reported (IBNR) and for future claims handling expenses. The adequacy of the Claims provision is evaluated each year using standard actuarial techniques. In addition, “IBNR” reserves are set to recognise the estimated cost of losses that have occurred but which have not yet been notified to NN Group.

Deferred profit sharing
For insurance contracts with discretionary participation features a deferred profit sharing amount is recognised for the full amount of the unrealised revaluation on allocated investments. Upon realisation, the profit sharing on unrealised revaluations is reversed and a deferred profit sharing amount is recognised for the share of realised results on allocated investments that is expected to be shared with policyholders. The deferred profit sharing amount is reduced by the actual allocation of profit sharing to individual policyholders.

The change in the deferred profit sharing amount on unrealised revaluation (net of deferred tax) is recognised in equity in the revaluation reserve.

Provisions for life insurance for risk of policyholders
For investment contracts for risk of policyholders the provisions are generally shown at the balance sheet value of the related investments.

Reinsurance contracts
Reinsurance premiums, commissions and claim settlements, as well as the reinsurance element of insurance contracts are accounted for in the same way as the original contracts for which the reinsurance was concluded. If the reinsurers are unable to meet their obligations, NN Group remains liable to its policyholders for the portion reinsured. Consequently, provisions are made for receivables on reinsurance contracts which are deemed uncollectable.

Notes to the Consolidated annual accounts of NN Group continued

Adequacy test
The adequacy of the provision for life insurance, net of unamortised interest rate rebates, DAC and VOBA (the net insurance liabilities), is evaluated regularly by each business unit for the business originated in that business unit. The test considers current estimates of all contractual and related cash flows, and future developments. It includes investment income on the same basis as it is included in the profit and loss account.

If, for any business unit, it is determined using a best estimate (50%) confidence level, that a shortfall exists, and there are no offsetting amounts within other business units in the same segment (Business Line), the shortfall is recognised immediately in the profit and loss account.

If, for any business unit, the net insurance liabilities are not adequate using a prudent (90%) confidence level, but there are offsetting amounts within other business units, then the business unit is allowed to take measures to strengthen the net insurance liabilities over a period no longer than the expected life of the policies. To the extent that there are no offsetting amounts within other business units, any shortfall at the 90% confidence level is recognised immediately in the profit and loss account.

If the net insurance liabilities are determined to be adequate at above the 90% confidence level, no reduction in the net insurance liabilities is recognised.

The adequacy test continues to be applied to businesses that are presented as discontinued operations but have not been divested yet; the relevant businesses continue to be evaluated as part of the adequacy test of the business line in which these were included before classification as discontinued operations.

Investment contracts
Insurance policies without discretionary participation features which do not bear significant insurance risk are presented as Investment contracts. Provisions for liabilities under investment contracts are determined either at amortised cost, using the effective interest method (including certain initial acquisition expenses), or at fair value.

OTHER LIABILITIES
Employee benefits – pension obligations
Defined benefit plans
The net defined benefit asset or liability recognised in the balance sheet in respect of defined benefit pension plans is the fair value of the plan assets less the present value of the defined benefit obligation at the balance sheet date.

Plan assets are measured at fair value at the balance sheet date. For determining the pension expense, the expected return on plan assets is determined using a high quality corporate bond rate identical to the discount rate used in determining the defined benefit obligation.

Changes in plan assets that effect Shareholder’s equity and/or Net result, include mainly:
- expected return on plan assets using a high quality corporate bond rate at the start of the reporting period which are recognised as staff costs in the profit and loss account; and
- remeasurements which are recognised in Other comprehensive income (equity).

The defined benefit obligation is calculated by internal and external actuaries through actuarial models and calculations using the projected unit credit method. This method considers expected future payments required to settle the obligation resulting from employee service in the current and prior periods, discounted using a high quality corporate bond rate. Inherent in these actuarial models are assumptions including discount rates, rates of increase in future salary and benefit levels, mortality rates, trend rates in health care costs, consumer price index and the expected level of indexation. The assumptions are based on available market data as well as management expectations and are updated regularly. The actuarial assumptions may differ significantly from the actual results due to changes in market conditions, economic and mortality trends, and other assumptions. Any changes in these assumptions could have a significant impact on the defined benefit plan obligation and future pension costs.

Changes in the defined benefit obligation that effects Shareholder’s equity and/or Net result, include mainly:
- service cost which are recognised as staff costs in the profit and loss account;
- interest expenses using a high quality corporate bond rate at the start of the period which are recognised as staff costs in the profit and loss account; and
- remeasurements which are recognised in Other comprehensive income (equity).

Remeasurements recognised in Other comprehensive income are not recycled to the profit and loss account. Any past service cost relating to a plan amendment is recognised in profit or loss in the period of the plan amendment. Gains and losses on curtailments and settlements are recognised in the profit and loss account when the curtailment or settlement occurs.

The recognition of a net defined benefit asset in the consolidated balance sheet is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Defined contribution plans
For defined contribution plans, NN Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. NN Group has no further payment obligations once the contributions have been paid. The contributions are recognised as staff expenses in the profit and loss account when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post-employment obligations
Some NN Group companies provide post-employment healthcare and other benefits to certain employees and former employees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans.

Other provisions
A provision involves a present obligation arising from past events, the settlement of which is expected to result in an outflow from the company of resources embodying economic benefits, however the timing or the amount is uncertain. Provisions are discounted when the effect of the time value of money is significant, using a before tax discount rate. The determination of provisions is an inherently uncertain process involving estimates regarding amounts and timing of cash flows.

Reorganisation provisions include employee termination benefits when NN Group is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

INCOME RECOGNITION
Gross premium income
Premiums from life insurance policies are recognised as income when due from the policyholder. For non-life insurance policies, gross premium income is recognised on a pro-rata basis over the term of the related policy coverage. Receipts under investment contracts are not recognised as gross premium income.

Interest
Interest income and expense are recognised in the profit and loss account using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, NN Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

All interest income and expenses from trading positions and non-trading derivatives are classified as interest income and interest expenses in the profit and loss account. Changes in the “clean fair value” are included in Net trading income and Valuation results on non-trading derivatives.

Fees and commissions
Fees and commissions are generally recognised as the service is provided. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts as the service is provided. Asset management fees related to investment funds and investment contract fees are recognised on a pro-rata basis over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

EXPENSE RECOGNITION
Expenses are recognised in the profit and loss account as incurred or when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Notes to the Consolidated annual accounts of NN Group continued

Share-based payments
Share-based payment expenses are recognised as a staff expense over the vesting period. A corresponding increase in equity is recognised for equity-settled share-based payment transactions. The fair value of equity-settled share-based payment transactions is measured at the grant date. Rights granted will remain valid until the expiry date, even if the share-based payment scheme is discontinued. The rights are subject to certain conditions, including a pre-determined continuous period of service.

GOVERNMENT GRANTS
Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, the grant is recognised over the period necessary to match the grant on a systematic basis to the expense that it is intended to compensate. In such case, the grant is deducted from the related expense in the profit and loss account.

FIDUCIARY ACTIVITIES
NN Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of NN Group.

STATEMENT OF CASH FLOWS
The statement of cash flows is prepared in accordance with the indirect method, classifying cash flows as cash flows from operating, investing and financing activities. In the net cash flow from operating activities, the result before tax is adjusted for those items in the profit and loss account, and changes in balance sheet items, which do not result in actual cash flows during the year.

For the purposes of the statement of cash flows, Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition. Investments qualify as a cash equivalent if they are readily convertible to a known amount of cash and are not subject to significant risk of changes in value.

Cash flows arising from foreign currency transactions are translated into the functional currency using the exchange rates at the date of the cash flows.

The difference between the net cash flow in accordance with the statement of cash flows and the change in Cash and cash equivalents in the balance sheet is due to exchange rate differences and is accounted separately for as part of the reconciliation of the net cash flow and the balance sheet change in Cash and cash equivalents.

BALANCE SHEET
ASSETS
2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents	2013	2012	2011
Cash and bank balances	**1,997**	2,980	3,230
Short term deposits	**5,158**	2,409	8,347
	7,155	5,389	11,577

Cash and cash equivalents classified as Assets held for sale amounted EUR 80 million (2012: EUR 1,328 million; 2011: nil) resulting in EUR 7,235 million (2012: EUR 6,717 million; 2011: EUR 11,577 million) reported as Cash and cash equivalents at the end of the year in the Consolidated statement of Cash flows.

The majority of the short-term deposits reported, are held with ING Bank. Reference is made to Note 52 “Related parties” for an overview of all transactions with ING Bank.

As at 31 December 2013, NN Group held EUR 354 million (2012: nil; 2011: nil) at central banks.

3 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss	2013	2012	2011
Trading assets	**736**	586	534
Investments for risk of policyholders	**39,589**	98,765	116,438
Non-trading derivatives	**3,126**	5,107	7,285
Designated as at fair value through profit or loss	**482**	2,000	2,616
	43,933	106,458	126,873

In 2013, the change in Financial assets at fair value through profit and loss includes EUR –78,101 million as a result of the transfer of ING U.S. and EUR 16,357 million as a result of the classification to continuing operations of NN Group’s business in Japan. Reference is made to Note 53 “Other events”.

In 2012, the change in “Investments for risk of policyholders” was mainly the result of the income for the year as well as the classification as held for sale of the insurance and investment management business in Asia. Reference is made to Note 11 “Assets and liabilities held for sale” and Note 28 “Underwriting expenditure”.

Trading assets by type	2013	2012	2011
Equity securities	**724**	576	490
Debt securities	**12**	10	44
	736	586	534

Trading assets includes EUR 723 million (2012: EUR 546 million; 2011: EUR 475 million), private equity investments at fair value through profit or loss.

Investments for risk of policyholders by type	2013	2012	2011
Equity securities	**36,919**	89,994	105,580
Debt securities	**1,821**	6,940	9,612
Loans or receivables	**849**	1,831	1,246
	39,589	98,765	116,438

Investments in investment funds (with underlying investments in debt and equity securities, real estate and derivatives) are included under equity securities.

Notes to the Consolidated annual accounts of NN Group continued

Non-trading derivatives by type	2013	2012	2011
Derivatives used in:			
– fair value hedges	**1**		
– cash flow hedges	**1,433**	2,450	2,572
– hedges of net investments in foreign operations		2	5
Other non-trading derivatives	**1,692**	2,655	4,708
	3,126	5,107	7,285

Other non-trading derivatives mainly includes interest rate swaps for which no hedge accounting is applied.

Designated as at fair value through profit or loss by type	2013	2012	2011
Equity securities	**427**		15
Debt securities	**43**	1,096	1,159
Other	**12**	904	1,442
	482	2,000	2,616

Other includes investments in private equity funds, hedge funds, other non-traditional investment vehicles and limited partnerships.

4 AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments by type	2013	2012	2011
Equity securities	**5,620**	5,073	6,839
Debt securities	**55,394**	114,232	126,765
	61,014	119,305	133,604

Equity securities in 2013 include EUR 1,832 million shares in NN Group managed investment finds and EUR 1,565 million shares in third party managed investment funds.

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

Debt securities	2013	2012	2011
Available-for-sale investments	**55,394**	114,232	126,765
Loans and advances to customers	**6,479**	6,323	6,681
Available-for-sale investments and Assets at amortised cost	**61,873**	120,555	133,446
Trading assets	**12**	10	44
Investments for risk of policyholders	**1,821**	6,940	9,612
Designated as at fair value through profit or loss	**43**	1,096	1,159
Financial assets at fair value through profit or loss	**1,876**	8,046	10,815
	63,749	128,601	144,261

Notes to the Consolidated annual accounts of NN Group continued

NN Group's total exposure to debt securities included in Available-for-sale investments and assets at amortised cost of EUR 61,873 million (2012: EUR 120,555 million; 2011: EUR 133,446 million) is specified as follows by type of exposure:

Debt securities by type and balance sheet line – Available-for-sale investments and Assets at amortised cost

	Available-for-sale investments			Loans and advances to customers			Total		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Government bonds	**43,307**	49,420	54,732				**43,307**	49,420	54,732
Covered bonds	**721**	996	1,118				**721**	996	1,118
Corporate bonds	**6,436**	43,072	45,260				**6,436**	43,072	45,260
Financial institution bonds	**4,303**	9,037	11,700				**4,303**	9,037	11,700
Bond portfolio (excluding ABS)	**54,767**	102,525	112,810	**0**	0	0	**54,767**	102,525	112,810
US agency RMBS	**143**	4,216	5,228				**143**	4,216	5,228
US prime RMBS	**1**	1,025	1,380				**1**	1,025	1,380
US Alt-A RMBS	**5**	284	295				**5**	284	295
US subprime RMBS		733	752				**0**	733	752
NON-US RMBS	**210**	215	513	**3,410**	3,745	4,515	**3,620**	3,960	5,028
CDO/CLO	**39**	130	183	**197**	290	505	**236**	420	688
Other ABS	**218**	1,440	1,459	**2,531**	1,997	1,346	**2,749**	3,437	2,805
CMBS	**11**	3,664	4,145	**341**	291	315	**352**	3,955	4,460
ABS portfolio	**627**	11,707	13,955	**6,479**	6,323	6,681	**7,106**	18,030	20,636
	55,394	114,232	126,765	**6,479**	6,323	6,681	**61,873**	120,555	133,446

Exposure to certain Asset backed securities

The table below shows certain ABS (US Subprime RMBS, Alt-A RMBS, CMBS and CDO/CLOs). It includes exposures in all relevant balance sheet lines, including not only loans and advances and available-for-sale investments as disclosed above, but also financial assets designated as at fair value through profit or loss.

Exposures, revaluations and losses on certain ABS bonds

	31 December 2013		**Change in 2013**			31 December 2012	
	Balance sheet value (1)	**Before tax revaluation reserve**	**Changes through equity (before tax)**	**Changes through profit and loss (before tax)**	**Other changes**	Balance sheet value [(1)]	Before tax revaluation reserve
US Subprime RMBS			**32**		**–765**	733	–32
US Alt-A RMBS	**5**		**–49**		**–230**	284	49
CDO/CLOs	**236**	**–2**	**5**		**–189**	420	–7
CMBS	**352**	**–3**	**–41**		**–3,649**	4,042	38
Total ABS	**593**	**–5**	**–53**	**0**	**–4,833**	5,479	48

(1) For assets classified as loans and receivables: amortised cost; otherwise: fair value.

In 2013, "Other changes" mainly relate to the transfer of ING U.S. Reference is made to Note 53 "Other events".

Exposures, revaluations and losses on certain ABS bonds

	31 December 2012		Change in 2012			31 December 2011	
	Balance sheet value [(1)]	Before tax revaluation reserve	Changes through equity (before tax)	Changes through profit and loss (before tax)	Other changes	Balance sheet value [(1)]	Before tax revaluation reserve
US Subprime RMBS	733	–32	158		–177	752	–190
US Alt-A RMBS	284	49	31	–2	–40	295	18
CDO/CLOs	420	–7	16		–284	688	–23
CMBS	4,042	38	445	2	–956	4,551	–407
Total ABS	5,479	48	650	0	–1,457	6,286	–602

(1) For assets classified as loans and receivables: amortised cost; otherwise: fair value.

Notes to the Consolidated annual accounts of NN Group continued

In 2012, "Other changes" mainly relate to the de-risking program of NN Group and includes sales and redemptions of certain ABS bonds.

Approximately 90% of the exposure in the ABS portfolio is externally rated AAA, AA or A.

Reference is made to Note 40 "Fair value of assets and liabilities" for disclosure by fair value hierarchy and Note 22 "Investment income" for impairments on available-for-sale debt securities.

Exposure to Government bonds and Unsecured Financial institutions' bonds of Greece, Italy, Ireland, Portugal and Spain

Since 2010 concerns arose regarding the creditworthiness of certain European countries. As a result of these concerns the value of sovereign debt decreased and exposures in those countries are being monitored closely. With regard to the sovereign debt crisis, NN Group's main focus is on Greece, Italy, Ireland, Portugal and Spain as these countries have either applied for support from the European Financial Stability Facility ("EFSF") or receive support from the European Central Bank ("ECB") via government bond purchases in the secondary market. For these countries, NN Group's main focus is on exposure to Government bonds and Unsecured Financial institutions' bonds.

At 31 December 2013, NN Group's balance sheet value of "Government bonds" and "Unsecured Financial institutions" bonds to Greece, Italy, Ireland, Portugal and Spain and the related revaluation reserve in equity (before tax) was as follows:

Greece, Italy, Ireland, Portugal and Spain – Government bonds and Unsecured Financial institutions' bonds [(1)]

2013	Balance sheet value	Before tax revaluation reserve	Amortised cost value
Greece			
Government bonds available-for-sale	105	66	39
Italy			
Government bonds available-for-sale	1,391	85	1,306
Financial institutions available-for-sale	55	1	54
Ireland			
Government bonds available-for-sale	59	6	53
Portugal			
Government bonds available-for-sale	4	–1	5
Financial institutions available-for-sale	27	1	26
Spain			
Government bonds available-for-sale	1,012	2	1,010
Financial institutions available-for-sale	79	3	76
Total	2,732	163	2,569

(1) Exposures are included based on the country of residence.

The revaluation reserve on debt securities in 2013 includes EUR 3,280 million (before tax) related to Government bonds. This amount comprises EUR 158 million revaluation reserve for Government bonds from Greece, Italy, Ireland, Portugal and Spain.

Notes to the Consolidated annual accounts of NN Group continued

At 31 December 2012, NN Group's balance sheet value of "Government bonds" and "Unsecured Financial institutions" bonds to Greece, Italy, Ireland, Portugal and Spain and the related revaluation reserve in equity (before tax) was as follows:

Greece, Italy, Ireland, Portugal and Spain – Government bonds and Unsecured Financial institutions' bonds [1]

2012	Balance sheet value	Before tax revaluation reserve	Before tax impairments	Amortised cost value
Greece				
Government bonds available-for-sale	76	40		36
Italy				
Government bonds available-for-sale	1,377	32		1,345
Financial institutions available-for-sale	51	–1		52
Ireland				
Government bonds available-for-sale	55	1		54
Financial institutions available-for-sale	15			15
Portugal				
Government bonds available-for-sale	7	–3		10
Financial institutions available-for-sale	40	2		38
Spain				
Government bonds available-for-sale	872	–97		969
Financial institutions available-for-sale	96	–2	–11	109
Total	2,589	–28	–11	2,628

[1] Exposures are included based on the country of residence.

The revaluation reserve on debt securities in 2012 included EUR 6,298 million (before tax) related to Government bonds. This amount comprises EUR 27 million negative revaluation reserve for Government bonds from Greece, Italy, Ireland, Portugal and Spain, which is more than offset by EUR 6,325 million positive revaluation reserves for Government bonds from other countries.

At 31 December 2011, NN Group's balance sheet value of "Government bonds" and "Unsecured Financial institutions" bonds to Greece, Italy, Ireland, Portugal and Spain and the related before tax revaluation reserve in equity was as follows:

Greece, Italy, Ireland, Portugal and Spain – Government bonds and Unsecured Financial institutions' bonds [1]

2011	Balance sheet value	Before tax revaluation reserve	Before tax impairments [2]	Amortised cost value
Greece				
Government bonds available-for-sale	104		–352	456
Italy				
Government bonds available-for-sale	1,207	–219		1,426
Financial institutions available-for-sale	83	–21		104
Ireland				
Government bonds available-for-sale	43	–10		53
Financial institutions available-for-sale	15			15
Portugal				
Government bonds available-for-sale	95	–88		183
Financial institutions available-for-sale	47	–17		64
Spain				
Government bonds available-for-sale	866	–118		984
Financial institutions available-for-sale	163	–30		193
Total	2,623	–503	–352	3,478

[1] Exposures are included based on the country of residence.
[2] Before tax impairments relate to bonds held at 31 December 2011. In addition, EUR 38 million and EUR 189 million impairments were recognised in 2011 on Greek government bonds and Irish unsecured Financial institutions' bonds that were no longer held at 31 December 2011. The total amount of impairments recognised on Greek Government bonds and Irish unsecured Financial institutions' bonds in 2011 is therefore EUR 390 million and EUR 189 million as explained below.

Notes to the Consolidated annual accounts of NN Group continued

The revaluation reserve on debt securities in 2011 included EUR 3,868 million (before tax) related to Government bonds. This amount comprised EUR 435 million negative revaluation reserve for Government bonds from Greece, Italy, Ireland, Portugal and Spain, which was more than offset by EUR 4,303 million positive revaluation reserves for Government bonds from other countries.

On 21 July 2011, a Private Sector Involvement (“PSI”) to support Greece was announced. This initiative involved a voluntary exchange of existing Greek Government bonds together with a Buyback facility. Due to this initiative, NN Group impaired all its Greek Government bonds to market value at 31 December 2011, bringing total impairments on these bonds to EUR 390 million.

In 2012, the agreement under the PSI to exchange Greek Government bonds into new instruments was executed. Under this exchange NN Group received new listed Greek Government bonds (for a notional amount of 31.5% of the notional of the exchanged bonds, maturities between 2023 and 2042), listed European Financial Stability Facility (“EFSF”) notes (for a notional amount of 15% of the notional of the exchanged bonds, maturities of one to two years) and listed short-term EFSF notes (maturity of 6 months, in discharge of all unpaid interest accrued on the exchanged bonds). These new securities were recognised as available-for-sale instruments. Furthermore, NN Group received listed GDP-linked securities issued by Greece (notional equal to notional of the new Greek Government bonds, maturity 2042). The exchange was executed on 12 March 2012. The exchanged bonds were derecognised and the new instruments were recognised at fair value on the exchange date. The exchange resulted in a loss of EUR 7 million in 2012, being the difference between amortised cost (net of cumulative impairments) of the exchanged bonds and fair value of the new instruments at the date of exchange. This result was included in “Investment income”.

In 2011, NN Group recognised a total impairment of EUR 189 million on subordinated debt from Irish banks.

Reference is made to Note 40 “Fair value of assets and liabilities” for disclosure by fair value hierarchy and Note 22 “Investment income” for impairments on available-for-sale debt securities.

Further information on NN Group’s risk exposure with regard to Greece, Italy, Ireland, Portugal and Spain is provided in the “Risk management” section.

Changes in available-for-sale investments

	Equity securities			Debt securities			Total		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Opening balance	**5,073**	6,839	7,013	**114,232**	126,765	116,334	**119,305**	133,604	123,347
Additions	**908**	1,474	1,391	**45,005**	70,884	67,149	**45,913**	72,358	68,540
Amortisation				**–581**	–304	–395	**–581**	–304	–395
Transfers and reclassifications			904				**0**	0	904
Changes in the composition of the group and other changes	**409**	–1,335	–153	**–47,407**	–26,805	–645	**–46,998**	–28,140	–798
Changes in unrealised revaluations	**258**	475	–382	**–6,205**	6,931	4,309	**–5,947**	7,406	3,927
Impairments	**–174**	–159	–188	**–10**	–48	–741	**–184**	–207	–929
Reversal of impairments				**2**	8	5	**2**	8	5
Disposals and redemptions	**–818**	–2,224	–1,765	**–47,278**	–61,753	–61,851	**–48,096**	–63,977	–63,616
Exchange rate differences	**–36**	3	19	**–2,364**	–1,446	2,600	**–2,400**	–1,443	2,619
Closing balance	**5,620**	5,073	6,839	**55,394**	114,232	126,765	**61,014**	119,305	133,604

In 2013, Changes in the composition of the group and other changes includes EUR –56,467 million as a result of the transfer of ING U.S. and EUR 9,674 million as a result of the classification to continuing operations of NN Group’s business in Japan. Reference is made to Note 53 “Other events”.

In 2012, Changes in the composition of the group and other changes related mainly to the classification of the insurance and investment management businesses in Asia as a disposal group held for sale. Reference is made to Note 11 “Assets and liabilities held for sale”.

Reference is made to Note 22 “Investment income” for details on impairments.

Transfers and reclassifications of available-for-sale investments

	Equity securities			Debt securities			Total		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
To/from investments in associates			904						904

Notes to the Consolidated annual accounts of NN Group continued

In 2011, Transfers and reclassifications related to the reclassification from associates to available-for-sale equity securities as a result of the fact that significant influence ceased to exist for certain real estate funds due to the sale of ING Real Estate Investment Management.

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

Reclassifications to Loans and advances to customers

	Q2 2009
As per reclassification date	
Fair value	6,135
Range of effective interest rates (weighted average)	1.4%-24.8%
Expected recoverable cash flows	7,118
Unrealised fair value losses in shareholder’s equity (before tax)	–896
Recognised fair value gains (losses) in shareholder’s equity (before tax) between the beginning of the year in which the reclassification too place and the reclassification date	173
Recognised fair value gains (losses) in shareholder’s equity (before tax) in the year prior to reclassification	–971
Recognised impairment (before tax) between the beginning of the year in which the reclassification took place and the reclassification date	nil
Recognised impairment (before tax) in the year prior to reclassification	nil

Impact on the financial years after reclassification

	2013	2012	2011	2010	2009
Carrying value as at 31 December	**1,098**	1,694	3,057	4,465	5,550
Fair value as at 31 December	**1,108**	1,667	2,883	4,594	5,871
Unrealised fair value losses in shareholder’s equity (before tax) as at 31 December	**111**	–186	–307	–491	–734
Effect on shareholder’s equity (before tax) if reclassification had not been made	**10**	–27	–174	129	321
Effect on result (before tax) if reclassification had not been made	**nil**	nil	nil	nil	nil
Effect on result (before tax) after the reclassification until 31 December(mainly interest income)	**n/a**	n/a	n/a	n/a	121
Effect on result (before tax) for the year (interest income and sales results)	**–10**	–47	90	89	n/a
Recognised impairments (before tax)	**nil**	nil	nil	nil	nil
Recognised provision for credit losses (before tax)	**nil**	nil	nil	nil	nil

In 2012, the decrease in the carrying value of the reclassified Loans and advances to customers, compared to 2011 was mainly due to disposals.

Available-for-sale equity securities

	2013	2012	2011
Listed	**2,688**	2,297	3,807
Unlisted	**2,932**	2,776	3,032
	5,620	5,073	6,839

Borrowed debt securities are not recognised in the balance sheet and amounted to nil as at 31 December 2013 (2012: nil; 2011: EUR 466 million).

NN Group did not have Available-for-sale investments that did not produce any income for the year ended 31 December 2013, 2012 and 2011.

Notes to the Consolidated annual accounts of NN Group continued

5 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers by type

	Netherlands			International			Total		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Policy loans	**33**	38	44	**146**	1,704	3,308	**179**	1,742	3,352
Loans secured by mortgages	**15,365**	6,376	6,450	**9**	7,327	7,692	**15,374**	13,703	14,142
Unsecured loans	**2,457**	2,070	2,143	**70**	1,231	5,135	**2,527**	3,301	7,278
Asset backed securities	**6,479**	6,323	6,681				**6,479**	6,323	6,681
Other	**835**	338	355	**14**	527	1,244	**849**	865	1,599
	25,169	15,145	15,673	**239**	10,789	17,379	**25,408**	25,934	33,052
Loan loss provisions	**–83**	–68	–80	**–6**	–43	–44	**–89**	–111	–124
	25,086	15,077	15,593	**233**	10,746	17,335	**25,319**	25,823	32,928

Changes in loan loss provisions

	2013	2012	2011
Opening balance	**111**	124	117
Changes in the composition of the group and other changes	**–33**	–4	–2
Write–offs	**–31**	–39	–24
Recoveries	**1**		2
Increase in loan loss provisions	**42**	29	33
Exchange rate differences	**–1**	1	–2
Closing balance	**89**	111	124

In 2013, Changes in the composition of the group and other changes includes EUR 5 million as a result of the transfer of ING U.S. and nil as a result of the classification to continuing operations of NN Group's business in Japan. Reference is made to Note 53 "Other events". Furthermore Changes in the composition of the group and other changes relates to the sale of ING's mortgage business in Mexico. Reference is made to Note 49 "Companies and businesses acquired and divested".

Loans and advances to customers increased by EUR 8.0 billion due to the transfer of mortgages from ING Bank to NN Group. Reference is made to Note 49 "Companies and businesses acquired and divested".

6 INVESTMENTS IN ASSOCIATES

Investments in associates

2013	Interest held (%)	Fair value of listed invest-ments	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
Sul América S.A.	21	332	186	4,656	3,787	2,752	2,692
CBRE Lionbrook Property Partnership LP	29		146	567	55	79	28
CBRE Retail Property Fund Iberica LP	29		118	1,322	902		67
CBRE Property Fund Central Europe LP	25		100	851	450	45	39
CBRE Retail Property Fund France Belgium C.V.	15		77	1,336	822	71	78
CBRE French Residential Fund C.V.	42		76	240	58	12	10
CBRE Property Fund Central and Eastern Europe	21		51	688	439	47	55
Other investments in associates			274				
			1,028				

Investments in associates other than Sul América S.A., are mainly real estate investment funds or vehicles, operating predominantly in Europe.

Other investments in associates represents a large number of associates with an individual balance sheet of less than EUR 50 million.

Notes to the Consolidated annual accounts of NN Group continued

Significant influence exists for 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 advisory board.

No accumulated impairments have been recognised in 2013, 2012 and 2011.

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

In general the reporting dates of all significant associates are consistent with the reporting date of NN Group. However the reporting dates of certain associates can differ from the reporting date of NN Group, but is no more than three months.

Where the listed fair value is lower than the balance sheet value, an impairment review and an evaluation of the going concern basis has been performed.

The associates of NN Group are subject to legal and regulatory restrictions regarding the amount of dividends it can pay to NN Group. These restrictions are for example dependant on the laws in the country of incorporation for declaring dividends or as a result of minimum capital requirements that are imposed by industry regulators in the countries in which the associates operate. In addition, the associates also consider other factors in determining the appropriate levels of equity needed. These factors and limitations include, but are not limited to, rating agency and regulatory views, which can change over time.

Investments in associates

2012	Interest held (%)	Fair value of listed invest-ments	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
Sul América S.A.	36	674	366	5,037	4,048	4,285	3,969
CBRE Retail Property Fund Iberica LP	29		129	1,423	964	–22	75
CBRE Lionbrook Property Partnership LP	20		102	577	77	31	23
CBRE Property Fund Central Europe LP	25		97	907	519	66	30
CBRE French Residential Fund C.V.	42		76	253	71	11	8
CBRE Retail Property Fund France Belgium C.V.	15		76	1,388	882	123	78
CBRE Nordic Property Fund FGR	14		55	1,057	674	19	68
Other investments in associates			451				
			1,352				

Investments in associates

2011	Interest held (%)	Fair value of listed invest-ments	Balance sheet value	Total assets	Total liabilities	Total income	Total expenses
Sul América S.A.	36	641	394	5,353	4,292	3,941	3,662
CBRE Retail Property Fund Iberica LP	29		147	1,666	1,146	96	65
CBRE Lionbrook Property Partnership LP	20		102	604	92	50	17
CBRE Property Fund Central Europe LP	25		90	897	536	87	4
CBRE French Residential Fund C.V.	42		78	249	65	24	8
The Capital (London) Fund	20		77	387	3	14	3
CBRE Retail Property Fund France Belgium C.V.	15		73	1,374	889	117	57
CBRE Nordic Property Fund FGR	14		60	1,079	662	92	67
CBRE Property Fund Central and Eastern Europe	21		51	747	509	122	57
Other investments in associates			454				
			1,526				

Notes to the Consolidated annual accounts of NN Group continued

Changes in investments in associates			
	2013	2012	2011
Opening balance	**1,352**	1,526	2,428
Additions	**48**	23	118
Changes in the composition of the group and other changes	**–88**	–46	–14
Transfers to and from Available-for-sale Investments			–904
Revaluations	**20**	–30	–17
Share of result	**97**	37	194
Dividends received	**–36**	–56	–126
Disposals	**–335**	–75	–131
Exchange rate differences	**–30**	–27	–22
Closing balance	**1,028**	1,352	1,526

In 2013, Changes in the composition of the group and other changes includes EUR –64 million as a result of the transfer of ING U.S. and EUR –17 million as a result of the classification to continuing operations of NN Group's business in Japan. Reference is made to Note 53 "Other events".

In 2013, Share of results includes EUR 128 million (2012: EUR 80 million; 2011: EUR 92 million) relating to Sul América S.A. and the remainder to individually not significant associates.

In 2013, the 36.5% interest in Sul América S.A. was reduced to 21.3% through two separate transactions, included in Disposals. In the International Finance Corporation transaction, a share of interest of approximately 7.9% in Sul América S.A was sold for a total consideration of approximately EUR 140 million. Under the terms of the Larragoiti transaction, a share of interest in Sul América S.A. of approximately 7% was sold to the Larragoiti family, the remaining indirect stake for tradable units was swapped, and the existing shareholder's agreement unwound. A net gain of EUR 64 million is recognised in the "Result on disposal of Group companies" in the Consolidated profit and loss account on these transactions.

On 7 January 2014, the sale to Swiss Re Group of 37.7 million units in Sul América S.A. was completed. The transaction further reduced the interest in the Brazilian insurance holding to approximately 10%. A total cash consideration of EUR 176 million was received. The transaction resulted in a net gain of EUR 56 million which represents the difference between the carrying value and the fair value for both the 11.3% interest in scope of the transaction with Swiss Re and the retained 10% interest. The net gain will be recognised in the first quarter of 2014. In 2014, the remaining interest was transferred to ING Group by way of dividend in kind .Together with a dividend paid to ING Group for the proceeds of the 11% divestment, this resulted in a dividend of EUR 315 million in 2014.

In 2013, Exchange rate differences includes EUR –42 million (2012: EUR –42 million; 2011: EUR –32 million) relating to Sul América S.A. and the remainder to individually not significant associates.

In 2011, Transfers to and from Investments relates to the real estate funds for which significant influence ceased to exist due to the sale of ING Real Estate Investment Management.

7 REAL ESTATE INVESTMENTS

Changes in real estate investments			
	2013	2012	2011
Opening balance	**805**	954	1,063
Additions	**200**	56	23
Changes in the composition of the group and other changes	**–6**	–87	–93
Transfers to and from Other assets		–2	
Fair value gains/(losses)	**–6**	–48	2
Disposals	**–229**	–71	–35
Exchange rate differences		3	–6
Closing balance	**764**	805	954

In 2013, Changes in the composition of the group and other changes includes EUR –6 million as a result of the transfer of ING U.S. and nil as a result of the classification to continuing operations of NN Group's business in Japan. Reference is made to Note 53 "Other events".

Notes to the Consolidated annual accounts of NN Group continued

The total amount of rental income recognised in the profit and loss account for the year ended 31 December 2013 is EUR 63 million (2012: EUR 69 million; 2011: EUR 65 million). No contingent rent was recognised in the Consolidated profit and loss account.

The total amount of direct operating expenses (including repairs and maintenance) in relation to Real estate investments that generated rental income for the year ended 31 December 2013 is EUR 13 million (2012: EUR 14 million; 2011: EUR 17 million). The total amount of direct operating expenses (including repairs and maintenance) incurred on Real estate investments that did not generate rental income for the year ended 31 December 2013 is nil (2012: EUR 3 million; 2011: EUR 1 million).

Real estate investments by year of most recent appraisal by independent qualified valuers

In percentages	2013	2012	2011
Most recent appraisal in current year	**100**	100	100

NN Group's exposure to real estate is included in the following balance sheet lines:

Real estate exposure

	2013	2012	2011
Real estate investments	**764**	805	954
Investments in associates	**807**	869	956
Other assets – property development and obtained from foreclosures	**3**	72	72
Property and equipment – property in own use	**100**	220	292
Investments – available-for-sale	**1,358**	1,412	1,511
	3,032	3,378	3,785

Furthermore, the exposure is impacted by third party interests, leverage in funds and off-balance commitments, resulting in an overall exposure of EUR 4.8 billion (2012: EUR 5.4 billion; 2011: EUR 5.9 billion). Reference is made to the "Risk management" section.

Notes to the Consolidated annual accounts of NN Group continued

8 PROPERTY AND EQUIPMENT

Property and equipment by type

	2013	2012	2011
Property in own use	**100**	220	292
Equipment	**64**	118	177
	164	338	469

Changes in property in own use

	2013	2012	2011
Opening balance	**220**	292	313
Additions	**5**		3
Changes in the composition of the group and other changes	**–105**	–25	–16
Transfers to and from other assets		1	
Depreciation	**–2**	–3	–4
Revaluations	**–15**	–33	–6
Impairments	**–1**		
Disposals	**–1**	–11	–2
Exchange rate differences	**–1**	–1	4
Closing balance	**100**	220	292
Gross carrying amount as at 31 December	**133**	255	327
Accumulated depreciation as at 31 December	**–29**	–32	–32
Accumulated impairments as at 31 December	**–4**	–3	–3
Net carrying value as at 31 December	**100**	220	292
Revaluation surplus			
Opening balance	**27**	44	43
Revaluation in year	**–2**	–16	1
Released in year	**–16**	–1	
Closing balance	**9**	27	44

In 2013, Changes in the composition of the group and other changes includes EUR –104 million as a result of the transfer of ING U.S. and nil as a result of the classification to continuing operations of NN Group’s business in Japan. Reference is made to Note 53 “Other events”.

The cost or the purchase price amounted to EUR 124 million (2012: EUR 228 million; 2011: EUR 283 million). Cost or the purchase price less accumulated depreciation and impairments would have been EUR 91 million (2012: EUR 193 million; 2011: EUR 248 million) had property in own use been valued at cost instead of fair value.

Property in own use by year of most recent appraisal by independent qualified valuers

In percentages	2013	2012	2011
Most recent appraisal in current year	**76**	84	45
Most recent appraisal one year ago	**21**		16
Most recent appraisal two years ago	**1**	15	
Most recent appraisal three years ago			39
Most recent appraisal four years ago	**2**	1	
	100	100	100

Notes to the Consolidated annual accounts of NN Group continued

Changes in equipment

	Data processing equipment			Fixtures and fittings and other equipment			Total		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Opening balance	**51**	65	67	**67**	112	137	**118**	177	204
Additions	**16**	38	38	**9**	22	36	**25**	60	74
Changes in the composition of the group and other changes	**–13**	–14	–10	**–8**	–30	–12	**–21**	–44	–22
Disposals	**–2**	–2	–1		–5	–12	**–2**	–7	–13
Depreciation	**–26**	–36	–29	**–27**	–31	–36	**–53**	–67	–65
Impairments					–1	–1		–1	–1
Exchange rate differences	**–1**			**–2**			**–3**		
Closing balance	**25**	51	65	**39**	67	112	**64**	118	177
Gross carrying amount as at 31 December	**85**	198	256	**177**	265	394	**262**	463	650
Accumulated depreciation as at 31 December	**–60**	–147	–191	**–138**	–198	–282	**–198**	–345	–473
Net carrying value as at 31 December	**25**	51	65	**39**	67	112	**64**	118	177

9 INTANGIBLE ASSETS

Changes in intangible assets

2013	**Value of business acquired**	**Goodwill**	**Software**	**Other**	**Total**
Opening balance	**513**	**277**	**108**	**120**	**1,018**
Additions			**43**		**43**
Capitalised expenses	**50**		**18**		**68**
Amortisation and unlocking	**–25**		**–55**	**–13**	**–93**
Impairments			**–2**		**–2**
Effect of unrealised revaluations in equity	**308**				**308**
Changes in the composition of the group and other changes	**–819**		**–26**	**–72**	**–917**
Exchange rate differences	**–7**	**–13**	**–2**	**–3**	**–25**
Disposals			**–8**		**–8**
Closing balance	**20**	**264**	**76**	**32**	**392**
Gross carrying amount as at 31 December	**41**	**385**	**649**	**118**	**1,193**
Accumulated amortisation as at 31 December	**–21**		**–532**	**–40**	**–593**
Accumulated impairments as at 31 December		**–121**	**–41**	**–46**	**–208**
Net carrying value as at 31 December	**20**	**264**	**76**	**32**	**392**

In 2013, Changes in the composition of the group and other changes includes EUR –909 million as a result of the transfer of ING U.S. and EUR 4 million as a result of the classification to continuing operations of NN Group's business in Japan. Reference is made to Note 53 "Other events".

Amortisation of software and other intangible assets is included in the profit and loss account in "Other operating expenses" and "Intangible amortisation and other impairments". Amortisation of VOBA is included in Underwriting expenditure.

Notes to the Consolidated annual accounts of NN Group continued

Changes in intangible assets

2012	Value of business acquired	Goodwill	Software	Other	Total
Opening balance	871	786	135	180	1,972
Additions			82		82
Capitalised expenses	83		3		86
Amortisation and unlocking	–207		–60	–30	–297
Impairments		–56	–2		–58
Effect of unrealised revaluations in equity	–140				–140
Changes in the composition of the group and other changes	–89	–469	–44	–30	–632
Exchange rate differences	–5	16	1		12
Disposals			–7		–7
Closing balance	513	277	108	120	1,018
Gross carrying amount as at 31 December	1,977	1,019	783	286	4,065
Accumulated amortisation as at 31 December	–1,464		–646	–120	–2,230
Accumulated impairments as at 31 December		–742	–29	–46	–817
Net carrying value as at 31 December	513	277	108	120	1,018

Changes in intangible assets

2011	Value of business acquired	Goodwill	Software	Other	Total
Opening balance	1,320	1,425	166	345	3,256
Additions		8	73	1	82
Capitalised expenses	81		2		83
Amortisation and unlocking	–244		–59	–48	–351
Impairments			–34		–34
Effect of unrealised revaluations in equity	–250				–250
Changes in the composition of the group and other changes	–43	–575	–2	–108	–728
Exchange rate differences	7	–72	–2	–10	–77
Disposals			–9		–9
Closing balance	871	786	135	180	1,972
Gross carrying amount as at 31 December	2,244	1,471	818	369	4,902
Accumulated amortisation as at 31 December	–1,373		–646	–143	–2,162
Accumulated impairments as at 31 December		–685	–37	–46	–768
Net carrying value as at 31 December	871	786	135	180	1,972

Goodwill

Changes in Goodwill

2012 – Impairment

In 2012, a goodwill impairment of EUR 56 million was recognised relating to the reporting unit Netherlands-Life (formerly part of Insurance Benelux). In the impairment test, the IFRS-EU carrying value (including goodwill) was compared with a valuation based on the surplus in the market consistent balance sheet and the market value of new business. These are commonly used metrics in the European insurance industry. During 2012, the carrying value of the reporting unit increased, mainly as a result of declining interest rates being reflected in the fair value of assets but with no corresponding increase in the IFRS-EU carrying value of insurance liabilities. As the market value surplus (MVS) of the reporting unit did not increase similarly, the margin of MVS over IFRS-EUR carrying value, which supported the goodwill, became negative and, as a result, goodwill was fully impaired. This charge was included in the Consolidated profit and loss account in the line “Intangible amortisation and other impairments”. Goodwill is recognised in the Corporate Line and, therefore, this charge was included in the segment reporting in Other.

Notes to the Consolidated annual accounts of NN Group continued

2012 – Changes in composition of the group and other changes
In 2012, "Changes in composition of the group and other changes" represents the classification of goodwill to "Assets held for sale". This included all goodwill that relates to businesses that were classified as held for sale. For 2012, the amount was EUR 469 million and related to Insurance Korea (EUR 200 million), Investment Management Korea (EUR 180 million), Insurance India (EUR 41 million) and Investment Management Taiwan (EUR 48 million). As businesses to which these goodwill amounts relate to were classified as held for sale, the related goodwill was no longer evaluated at the level of the reporting unit to which it was allocated in the regular goodwill impairment test. Instead, it is reviewed as part of the valuation of the disposal unit that is presented as held for sale. Reference is made to Note 11 "Assets and liabilities held for sale".

2011 – Changes in composition of the group and other changes
In 2011, "Changes in composition of the group and other changes" related mainly to the disposal of the Latin American operations.

Allocation of Goodwill to reporting units
After the above changes, the remaining goodwill is allocated to goodwill reporting units as follows:

Goodwill allocation to reporting units

	2013	2012	2011
Netherlands Life			56
Insurance Europe	**101**	114	112
Investment Management (IM)	**163**	163	382
Other			236
Total Insurance	**264**	277	786

Goodwill impairment testing
Goodwill is tested for impairment at the lowest level at which it is monitored for internal management purposes. This level is defined as the so called "reporting units" as set out above. The changes in reportable segments as disclosed in Note 36 "Segments" resulted in the above reporting units but did not impact the outcome of the impairment test. Goodwill is tested for impairment by comparing the carrying value of the reporting unit to the best estimate of the recoverable amount of that reporting unit. The carrying value is determined as the IFRS-EU net asset value including goodwill. The recoverable amount is estimated as the higher of fair value less cost to sell and value in use. Several methodologies are applied to arrive at the best estimate of the recoverable amount.

As a first step of the impairment test, the best estimate of the recoverable amount of reporting units to which goodwill is allocated is determined separately for each relevant reporting unit based on Price to Earnings, Price to Book, and Price to Assets under management ratios. The main assumptions in this valuation are the multiples for Price to Earnings, Price to Book and Price to Assets under management; these are developed internally but are either derived from or corroborated against market information that is related to observable transactions in the market for comparable businesses. Earnings and carrying values are equal to or derived from the relevant measure under IFRS-EU. Where available the test includes the use of market prices for listed business units.

If the outcome of this first step indicates that the difference between recoverable amount and carrying value may not be sufficient to support the amount of goodwill allocated to the reporting unit, an additional analysis is performed in order to determine a recoverable amount in a manner that better addresses the specific characteristics of the relevant reporting unit.

Such additional analyses were performed for the goodwill that was concluded to be impaired as set out above. For other reporting units, the goodwill allocated to these reporting units was fully supported in the first step.

Notes to the Consolidated annual accounts of NN Group continued

10 DEFERRED ACQUISITION COSTS

Changes in deferred acquisition costs

	Life insurance			Non-life insurance			Total		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Opening balance	**4,513**	10,165	10,457	**36**	39	42	**4,549**	10,204	10,499
Capitalised	**616**	1,659	1,575	**8**	15	12	**624**	1,674	1,587
Amortisation and unlocking	**–1,885**	–1,051	–1,689	**–7**	–15	–13	**–1,892**	–1,066	–1,702
Effect of unrealised revaluations in equity	**660**	–251	–526				**660**	–251	–526
Changes in the composition of the group and other changes	**–2,094**	–5,765	44		–3	–2	**–2,094**	–5,768	42
Exchange rate differences	**–494**	–244	304				**–494**	–244	304
Closing balance	**1,316**	4,513	10,165	**37**	36	39	**1,353**	4,549	10,204

For flexible life insurance contracts the growth rate assumption used to calculate the amortisation of the deferred acquisition costs for 2013 is 6.0% gross and is 4.3% net of investment management fees (2012: 8.1% gross and 7.3% net of investment management fees; 2011: 8.1% gross and 7.4% net of investment management fees). Percentages are based on the portfolios from continuing operations for the respective years.

In 2013, Changes in the composition of the group and other changes includes EUR –4,493 million as a result of the transfer of ING U.S. and EUR 2,409 million as a result of the classification to continuing operations of NN Group’s business in Japan. Reference is made to Note 53 “Other events”.

The separate reporting of the Japan Closed Block VA business line triggered a write-off of all deferred acquisition costs (DAC) related to the Japan Closed Block VA business of EUR 1,405 million partly compensated by a release of the Life insurance provision related to unearned revenues of EUR 867 million. The write-off is included in Amortisation and unlocking for the year 2013. Reference is made to Note 53 “Other events”.

In 2012, Changes in the composition of the group and other changes related mainly to the classification of the insurance and investment management businesses in Asia as held for sale. Reference is made to Note 11 “Assets and liabilities held for sale”.

In 2011, Amortisation and unlocking includes EUR 488 million related to the assumption review for the Insurance US Closed Block Variable Annuity (VA) business. This effect has been included as part of Net result from discontinued operations in the Consolidated profit and loss account.

11 ASSETS AND LIABILITIES HELD FOR SALE

Assets and liabilities held for sale includes disposal groups whose carrying amount will be recovered principally through a sale transaction rather than through continuing operations. This relates to businesses for which a sale is agreed upon but for which the transaction has not yet closed or a sale is highly probable at the balance sheet date but for which no sale has yet been agreed.

As at 31 December 2013 Assets and liabilities held for sale relates to the remaining insurance and investment management businesses in Asia (“Asia”) excluding NN Group’s business in Japan.

After carefully exploring and evaluating the options available for the divestment of ING Life Japan, it was concluded that ING Life Japan will be included with NN Group’s European insurance and investment management businesses in the base case IPO of NN Group in 2014. As a result, ING Life Japan and the Japanese Closed Block VA guarantees reinsured to ING Re (“NN Group’s business in Japan”) are no longer classified as held for sale as at 31 December 2013. Reference is made to Note 53 “Other events”.

As at 31 December 2012 Assets and liabilities held for sale related to insurance and investment management businesses in Asia (“Asia”) including NN Group’s business in Japan.

There were no Assets and liabilities classified as held for sale as at 31 December 2011.

During 2013, the divestments of the insurance businesses in Hong Kong, Macau and Thailand, the investment management business in Malaysia and Thailand and the joint ventures in South Korea and India, closed. During 2012, the divestment of the insurance business in Malaysia closed. As a result these businesses are no longer consolidated.

Furthermore, some divestments were agreed that are expected to close or closed in 2014, including ING-BOB Life and the Taiwanese investment management businesses; these remain to be classified as held for sale as at 31 December 2013. Reference is made to Note 49 “Companies and businesses acquired and divested”.

Notes to the Consolidated annual accounts of NN Group continued

Assets held for sale	2013	2012
Cash and cash equivalents	80	1,328
Financial assets at fair value through profit or loss	16	26,688
Available-for-sale investments	297	24,805
Loans and advances to customers	156	2,084
Reinsurance contracts		98
Investments in associates		37
Property and equipment	3	33
Intangible assets		176
Deferred acquisition costs	27	5,124
Other assets	51	1,318
	630	61,691

Liabilities held for sale	2013	2012
Insurance and investments contracts	418	51,198
Financial liabilities at fair value through profit or loss		2,073
Other liabilities	48	2,384
	466	55,655

Included in Shareholder's equity is cumulative other comprehensive income of EUR 5 million (2012: EUR 1,585 million; 2011: nil) related to Assets and liabilities held for sale.

Goodwill

At 31 December 2013, there was no goodwill presented under Assets held for sale (2012: EUR 469 million; 2011: nil). In 2012, EUR 469 million goodwill was reclassified to Assets held for sale. This related to Insurance Korea (EUR 200 million), Investment Management Korea (EUR 180 million), Insurance India (EUR 41 million) and Investment Management Taiwan (EUR 48 million).

For businesses classified as held for sale, the related goodwill is no longer evaluated at the level of the reporting unit to which it was allocated in the regular goodwill impairment test. Instead, it is reviewed as part of the valuation of the disposal unit that is presented as held for sale. In 2012, goodwill of EUR 180 million related to Investment Management Korea, EUR 200 million related to ING Life Korea and EUR 15 million related to ING Vysya Life Insurance was written off, as the related businesses were expected to be sold below carrying value. In 2013, goodwill of EUR 42 million related to Investment Management Taiwan was written off. The developments in the sales process of Investment Management Taiwan during 2013 (resulting in a sale in January 2014) indicated that the expected sales proceeds were no longer above the carrying value. The related charges were included in the Consolidated profit and loss account in Net result from classification as discontinued operations.

Fair value measurement

The fair value hierarchy of assets and liabilities measured at fair value, that are presented as held for sale is included below. The fair value hierarchy consists of three levels, depending upon whether fair value were determined based on unadjusted quoted prices in an active market (Level 1), valuation techniques supported by observable inputs (Level 2) or valuation techniques that incorporate inputs which are unobservable and which have a more than insignificant impact on the fair value of the instrument (Level 3). Reference is made to Note 40 "Fair value of assets and liabilities" for more details on the methods applied in determining the fair value.

Methods applied in determining the fair value of financial assets and liabilities – Held for sale

2013	Level 1	Level 2	Level 3	Total
Financial Assets				
Trading assets	14			14
Investments for risk of policyholders	2			2
Available-for-sale investments	296	1		297
	312	1	0	313

Notes to the Consolidated annual accounts of NN Group continued

Methods applied in determining the fair value of financial assets and liabilities – Held for sale

2012	Level 1	Level 2	Level 3	Total
Assets				
Trading assets	18			18
Investments for risk of policyholders	22,452		116	22,568
Non-trading derivatives		1,447		1,447
Financial assets designated as at fair value through profit or loss		2,640	15	2,655
Available-for-sale investments	16,180	8,386	239	24,805
	38,650	12,473	370	51,493
Liabilities				
Non-trading derivatives	287	1,786		2,073
Investment contracts (for contracts carried at fair value)	95			95
	382	1,786	0	2,168

12 OTHER ASSETS

Other assets by type

	2013	2012	2011
Reinsurance and insurance receivables	**642**	1,763	1,971
Deferred tax assets	**51**	76	186
Property development and obtained from foreclosures	**3**	72	72
Income tax receivable	**137**	44	82
Accrued interest and rents	**1,741**	2,448	2,999
Other accrued assets	**274**	1,040	1,670
Net defined benefit asset	**383**	670	1,472
Other	**523**	622	1,179
	3,754	6,735	9,631

The change in amounts reported in Other assets is mainly due to EUR –2,495 million as a result of the transfer of ING U.S. and EUR 1,251 million as a result of the classification to continuing operations of NN Group's business in Japan. Reference is made to Note 53 "Other events".

Disclosures in respect of deferred tax assets are provided in Note 39 "Taxation" and disclosures in respect of Net defined benefit assets are provided in Note 38 "Pension and other post-employment benefits".

Accrued interest and rents includes EUR 1,272 million (2012: EUR 1,948 million; 2011: EUR 2,216 million) accrued interest on assets measured at amortised cost under the IAS 39 classification Loans and receivables.

Reinsurance and insurance receivables

	2013	2012	2011
Receivables on account of direct insurance from:			
– policyholders	**500**	1,083	1,238
– intermediaries	**51**	50	67
Reinsurance receivables	**91**	630	666
	642	1,763	1,971

The allowance for uncollectable reinsurance and insurance receivables amounts to EUR 53 million as at 31 December 2013 (2012: EUR 50 million; 2011: EUR 66 million). The allowance is deducted from this receivable.

Notes to the Consolidated annual accounts of NN Group continued

EQUITY
13 EQUITY

Total equity

	2013	2012	2011
Share capital			
Share premium	**11,605**	17,750	17,750
Revaluation reserve	**3,949**	8,333	5,060
Currency translation reserve	**–252**	–331	131
Net defined benefit asset/liability	**–1,042**	–1,000	–90
Other reserves	**–33**	1,671	561
Shareholder's equity (parent)	**14,227**	26,423	23,412
Minority interests	**68**	217	62
Total equity	**14,295**	26,640	23,474

The Revaluation reserve, Share of associates reserve (included in Other reserves) and Currency translation reserve cannot be freely distributed.

Reference is made to Note 38 "Pension and other post-employment benefits" for information on the amounts recognised directly in equity (Other comprehensive income) related to the net defined benefit asset/liability remeasurement.

Share capital

	Ordinary shares (par value EUR 1.00)					
	Number x 1,000			Amount		
	2013	2012	2011	2013	2012	2011
Authorised share capital	**225**	225	225			
Unissued share capital	**180**	180	180			
Issued share capital	**45**	45	45	**0**	0	0

NN Group has an issued share capital of EUR 45,000.

Ordinary shares
All shares are in registered form. No share certificates have been issued. Shares may be transferred by means of a deed of transfer, subject to the approval of the Management Board NN Group. The par value of ordinary shares is EUR 1.00.

Dividend restrictions
NN Group N.V. and its Dutch group companies are subject to legal restrictions regarding the amount of dividends they can pay to their shareholders. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to the excess of the company's own funds over the sum of the paid–up capital, and reserves required by law. Additionally, certain group companies are subject to restrictions on the amount of funds they may transfer in the form of dividends or otherwise to the parent company.

Furthermore, in addition to the restrictions in respect of minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries operate, other limitations exist in certain countries.

Changes in Share premium

	2013
Opening balance	**17,750**
Capital contribution	**1,330**
Transfer of ING U.S.	**–6,826**
Dividend	**–649**
Closing balance	**11,605**

Notes to the Consolidated annual accounts of NN Group continued

Changes in revaluation reserve

2013	Property revalu-ation reserve	Available-for-sale reserve	Cash flow hedge reserve	Total
Opening balance	18	4,768	3,548	8,334
Changes in the composition of the group and other changes	–8	–419	12	–415
Impact of IPO of ING U.S.	–3	–359	–2	–364
Unrealised revaluations	–1	–4,804		–4,805
Realised gains/losses transferred to profit and loss		–123		–123
Change in cash flow hedge reserve			–832	–832
Transfer to insurance liabilities/DAC		2,154		2,154
Closing balance	6	1,217	2,726	3,949

Changes in the composition of the group and other changes relates to the transfer of ING U.S. Reference is made to Note 53 “Other events”.

Transfer to insurance liabilities/DAC includes the change in the deferred profit sharing liability (net of deferred tax). Reference is made to Note 17 “Insurance and investment contracts, reinsurance contracts”.

Changes in revaluation reserve

2012	Property revalu-ation reserve	Available-for-sale reserve	Cash flow hedge reserve	Total
Opening balance	31	2,146	2,883	5,060
Unrealised revaluations	–13	5,102		5,089
Realised gains/losses transferred to profit and loss		–299		–299
Change in cash flow hedge reserve			665	665
Transfer to insurance liabilities/DAC		–2,181		–2,181
Closing balance	18	4,768	3,548	8,334

Changes in revaluation reserve

2011	Property revalu-ation reserve	Available-for-sale reserve	Cash flow hedge reserve	Total
Opening balance	29	1,749	1,567	3,345
Unrealised revaluations	2	2,084		2,086
Realised gains/losses transferred to profit and loss		317		317
Change in cash flow hedge reserve			1,316	1,316
Transfer to insurance liabilities/DAC		–2,004		–2,004
Closing balance	31	2,146	2,883	5,060

Changes in currency translation reserve

	2013	2012	2011
Opening balance	–331	131	–178
Changes in the composition of the group and other changes	381		
Unrealised revaluations	132	–25	–90
Realised gains/losses transferred to profit and loss	213	–68	156
Exchange rate differences	–647	–369	243
Closing balance	–252	–331	131

Changes in the composition of the group and other changes relates to the transfer of ING U.S. Reference is made to Note 53 “Other events”.

The unrealised revaluations relate to changes in the value of hedging instruments that are designated as net investment hedges.

Notes to the Consolidated annual accounts of NN Group continued

Changes in other reserves

2013	Retained earnings	Share of associates reserve	Total
Opening balance	1,331	340	1,671
Result for the year	10		10
Transfer to share of associates reserve	–118	118	0
Changes in the composition of the group and other changes	76		76
Impact of IPO of ING U.S.	–1,594		–1,594
Dividend	–233		–233
Employee stock options and share plans	37		37
Closing balance	–491	458	–33

Changes in the composition of the group and other changes relates to the transfer of ING U.S. Reference is made to Note 53 “Other events”.

Changes in other reserves

2012	Retained earnings	Share of associates reserve	Total
Opening balance	385	176	561
Result for the year	1,038		1,038
Unrealised revaluations	10		10
Transfer to share of associates reserve	–164	164	0
Employee stock options and share plans	62		62
Closing balance	1,331	340	1,671

Changes in other reserves

2011	Retained earnings	Share of associates reserve	Total
Opening balance	–897	140	–757
Result for the year	1,226		1,226
Unrealised revaluations	37		37
Transfer to share of associates reserve	–36	36	0
Employee stock options and share plans	55		55
Closing balance	385	176	561

Dividend

In connection with the divestments of ING Life Korea and the 7.9% share of interest in Sul América, dividend declared and paid was EUR 882 million in 2013, of which EUR 649 million was charged to Share premium and EUR 233 million to Retained earnings.

Furthermore, in 2013 ING U.S. was transferred to ING Group by way of dividend in kind of EUR 6.826 million, which was charged to Share premium in full. Reference is made to Note 53 “Other events”.

Reference is made to Note 6 “Investments in associates” for details on dividend declared for the year 2014 in relation to the divestment of Sul América.

Notes to the Consolidated annual accounts of NN Group continued

LIABILITIES
14 SUBORDINATED LOANS

Subordinated loans

Interest rate	Year of Issue	Due date		Notional amount	Balance sheet value 2013	2012	2011
8.000%	2011	Perpetual	EUR	450	**450**	450	450
Variable	2008	Perpetual	EUR	813	**813**	834	850
Variable	2007	Perpetual	EUR	740	**740**	758	772
4.176%	2005	Perpetual	EUR	169	**176**	181	313
Variable	2005	Perpetual	EUR	148	**148**	152	154
Variable	2005	Perpetual	EUR	74	**74**	76	77
6.375%	2002	7 May 2027	EUR	476	**491**	496	501
Variable	2001	21 June 2021	EUR	1,250			1,250
					2,892	2,947	4,367

These above presented subordinated bonds have been issued to raise hybrid capital. Under IFRS-EU these bonds are classified as liabilities. They are considered capital for regulatory purposes. EUR 2,401 million (2012: EUR 2,451 million; 2011: EUR 2,616 million) has been issued to ING Group.

Due to the transfer of ING U.S., all USD denominated subordinated loans have been converted into Euro denominated loans. Reference is made to Note 53 “Other Events”.

The decrease in “Subordinated loans” in the year 2012 reflects the redemption of the 2001, Variable interest rate, EUR 1,250 million hybrid security in December 2012.

On 12 December 2011, ING announced the launch of three separate exchange offers in Europe and tender offers in the United States of America, on a total of seven series of outstanding subordinated securities of ING entities with a total nominal value of approximately EUR 5.8 billion. Of this amount, EUR 1.0 billion related to securities originally issued by ING Verzekeringen N.V. All tender and exchange offers announced on 12 December 2011 were successfully completed on 23 December 2011. The participation for these bonds was 52% and resulted in a total gain of EUR 95 million (EUR 71 million after tax) including related hedge results and transaction costs. This gain was recognised in Other income in 2011.

15 DEBT SECURITIES IN ISSUE

Debt securities in issue relate to debentures and other issued debt securities with either fixed interest rates or interest rates based on interest rate levels, such as certificates of deposit and accepted bills originally issued by ING Verzekeringen N.V., except for subordinated items. Debt securities in issue do not include debt securities presented as Financial liabilities at fair value through profit or loss. NN Group does not have debt securities that are issued on terms other than those available in the normal course of business. The maturities of the debt securities are as follows:

Debt securities in issue – maturities

	2013	2012	2011
Fixed rate debt securities			
Within 1 year		530	849
More than 1 year but less than 2 years			1,114
More than 5 years		1,110	473
Total fixed rate debt securities	**0**	1,640	2,436
Floating rate debt securities			
Within 1 year		270	
More than 5 years			1,000
Total floating rate debt securities	**0**	270	1,000
Total debt securities	**0**	1,910	3,436

Mainly as a result of the transfer of ING U.S., NN Group does not have debt securities in issue as at 31 December 2013.

Notes to the Consolidated annual accounts of NN Group continued

On 8 March 2012, ING launched three separate exchange offers and consent solicitations on a total of three series of senior debt securities originally issued by ING Verzekeringen N.V. with a total nominal value of EUR 2.6 billion. Holders had the possibility to exchange the original securities into new securities issued by ING Group and / or consent to a modification of existing terms. On average 64% of the holders accepted the offer to exchange into new securities issued by ING Group. The total nominal amount of the new securities issued by ING Group in exchange for the existing securities originally issued by ING Verzekeringen N.V. was EUR 1,654 million. Approximately 6% of the holders, representing EUR 151 million, accepted a modification of the existing terms of the securities. The transactions were completed on 30 March 2012. A charge of EUR 39 million (EUR 30 million after tax) was recognised in 2012. The settlement date of the exchange offers and consent solicitations was on 4 April 2012.

ING U.S., Inc. announced on 16 July 2012 that it completed a private debt offering of USD 850 million principal amount of its 5.5% Senior Notes due in 2022. In 2013, ING US is transferred to ING Group. Reference is made to Note 53 “Other events”.

16 OTHER BORROWED FUNDS

Other borrowed funds by remaining term

2013	2014	2015	2016	2017	2018	Years after 2018	Total
Loans contracted	1,009	20	15	12		490	1,546
Loans from credit institutions	2,732		60			479	3,271
	3,741	20	75	12	0	969	4,817

Other borrowed funds by remaining term

2012	2013	2014	2015	2016	2017	Years after 2017	Total
Loans contracted	1,740	815			4	663	3,222
Loans from credit institutions	3,306			60		854	4,220
	5,046	815	0	60	4	1,517	7,442

Other borrowed funds by remaining term

2011	2012	2013	2014	2015	2016	Years after 2016	Total
Loans contracted	884		76			617	1,577
Loans from credit institutions	5,088					642	5,730
	5,972	0	76	0	0	1,259	7,307

Notes to the Consolidated annual accounts of NN Group continued

17 INSURANCE AND INVESTMENT CONTRACTS, REINSURANCE CONTRACTS

The Provision for insurance and investment contracts, net of reinsurance (i.e. the provision for NN Group's own account) is presented gross in the balance sheet as "Insurance and investment contracts". The related reinsurance is presented as "Reinsurance contracts" under Assets in the balance sheet.

Insurance and investment contracts, reinsurance contracts

	Provision net of reinsurance			Reinsurance contracts			Insurance and investment contracts		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Provision for non-participating life policy liabilities	**17,352**	62,797	88,492	**34**	5,065	5,534	**17,386**	67,862	94,026
Provision for participating life policy liabilities	**46,208**	47,801	52,753	**88**	87	102	**46,296**	47,888	52,855
Provision for (deferred) profit sharing and rebates	**3,799**	7,236	5,623		3	2	**3,799**	7,239	5,625
Life insurance provisions excluding provisions for risk of policyholders	**67,359**	117,834	146,868	**122**	5,155	5,638	**67,481**	122,989	152,506
Provision for life insurance for risk of policyholders	**38,038**	90,754	109,487	**49**	49	136	**38,087**	90,803	109,623
Life insurance provisions	**105,397**	208,588	256,355	**171**	5,204	5,774	**105,568**	213,792	262,129
Provision for unearned premiums and unexpired risks	**266**	265	297	**3**	2	4	**269**	267	301
Reported claims provision	**2,643**	2,621	2,620	**77**	82	89	**2,720**	2,703	2,709
Claims incurred but not reported (IBNR)	**595**	558	493	**1**	2	3	**596**	560	496
Claims provisions	**3,238**	3,179	3,113	**78**	84	92	**3,316**	3,263	3,205
Total provisions for insurance contracts	**108,901**	212,032	259,765	**252**	5,290	5,870	**109,153**	217,322	265,635
Investment contracts for risk of company	**810**	4,561	6,259				**810**	4,561	6,259
Investment contracts for risk of policyholders	**1,588**	8,067	6,939				**1,588**	8,067	6,939
Total provisions for investment contracts	**2,398**	12,628	13,198	**0**	0	0	**2,398**	12,628	13,198
Total	**111,299**	224,660	272,963	**252**	5,290	5,870	**111,551**	229,950	278,833

The deferred profit sharing amount on unrealised revaluation is included in Provision for (deferred) profit sharing and rebates and amounts to EUR 3,488 million as at 31 December 2013 (2012: EUR 6,304 million; 2011: EUR 3,721 million).

Notes to the Consolidated annual accounts of NN Group continued

Changes in life insurance provisions

2013	Provision net of reinsurance (excluding provision for life insurance for risk of policyholder)	Provisions for life insurance for risk of policyholder (net of reinsurance)	Reinsurance con-tracts	Life insurance provisions
Opening balance	117,834	90,754	5,204	213,792
Changes in the composition of the group and other changes	–41,848	–54,915	–4,770	–101,533
	75,986	35,839	434	112,259
Current year provisions	9,973	8,459	490	18,922
Change in deferred profit sharing liability	–2,309			–2,309
Prior year provisions:				
– benefit payments to policyholders	–17,361	–15,466	–756	–33,583
– interest accrual and changes in fair value of liabilities	3,932		35	3,967
– valuation changes for risk to policyholders		13,519		13,519
– effect of changes in other assumptions	151		–2	149
	–13,278	–1,947	–723	–15,948
Exchange rate differences	–3,013	–4,313	–30	–7,356
Closing balance	67,359	38,038	171	105,568

Changes in life insurance provisions

2012	Provision net of reinsurance (excluding provision for life insurance for risk of policyholder)	Provisions for life insurance for risk of policyholder (net of reinsurance)	Reinsurance contracts	Life insurance provisions
Opening balance	146,868	109,487	5,774	262,129
Changes in the composition of the group and other changes	–31,577	–23,852	–244	–55,673
	115,291	85,635	5,530	206,456
Current year provisions	13,221	9,122	381	22,724
Change in deferred profit sharing liability	2,889			2,889
Prior year provisions:				
– benefit payments to policyholders	–16,074	–14,919	–668	–31,661
– interest accrual and changes in fair value of liabilities	4,651		38	4,689
– valuation changes for risk to policyholders		13,909		13,909
– effect of changes in other assumptions	–275	–77	16	–336
	–11,698	–1,087	–614	–13,399
Exchange rate differences	–1,869	–2,916	–93	–4,878
Closing balance	117,834	90,754	5,204	213,792

Notes to the Consolidated annual accounts of NN Group continued

Changes in life insurance provisions

2011	Provision net of reinsurance (excluding provision for life insurance for risk of policyholder)	Provisions for life insurance for risk of policyholder (net of reinsurance)	Reinsurance contracts	Life insurance provisions
Opening balance	135,314	114,603	5,685	255,602
Changes in the composition of the group and other changes	–335	–2,517	–65	–2,917
	134,979	112,086	5,620	252,685
Current year provisions	13,774	7,623	636	22,033
Change in deferred profit sharing liability	1,963			1,963
Prior year provisions:				
– benefit payments to policyholders	–13,872	–11,812	–700	–26,384
– interest accrual and changes in fair value of liabilities	6,302		35	6,337
– valuation changes for risk to policyholders		–1,190		–1,190
– effect of changes in other assumptions	635	–17	–2	616
	–6,935	–13,019	–667	–20,621
Exchange rate differences	3,087	2,797	185	6,069
Closing balance	146,868	109,487	5,774	262,129

Where discounting is used in the calculation of life insurance provision, the rate is within the range of 2.3% to 4.0% (2012: 3.0% to 5.1%; 2011: 2.8% to 5.5%) based on weighted averages. The change is mainly due to a change in the composition of the portfolio.

Insurance provisions include a provision for the estimated cost of the agreement with regard to unit-linked policies. For more information reference is made to Note 48 “Legal proceedings”.

In 2013, Changes in the composition of the group and other changes includes EUR –129,516 million as a result of the transfer of ING U.S. and EUR 29,445 million as a result of the classification to continuing operations of NN Group’s business in Japan. Reference is made to Note 53 “Other events”.

In 2012, “Changes in the composition of the group and other changes” related mainly to the classification of the insurance and investment management businesses in Asia as held for sale. Reference is made to Note 11 “Assets and liabilities held for sale”.

In 2011, “Changes in the composition of the group and other changes” included the transfers of certain insurance contracts.

“Effect of changes in other assumptions” relates mainly to the assumption refinement for the Insurance U.S. Closed Block VA business. This effect has been included as part of net result from discontinued operations in the Consolidated profit and loss account.

To the extent that the assuming reinsurers are unable to meet their obligations, NN Group is liable to its policyholders for the portion reinsured. Consequently, provisions are made for receivables on reinsurance contracts which are deemed uncollectable. The life reinsurance market is highly concentrated and, therefore, diversification of exposure is inherently difficult. To minimise its exposure to significant losses from reinsurer insolvencies, NN Group evaluates the financial condition of its reinsurers, monitors concentrations of credit risk arising from similar geographical regions, activities or economic characteristics of the reinsurer and maintains collateral. Reference is also made to the “Risk management” section.

As at 31 December 2013, the total Reinsurance exposure, including Reinsurance contracts and Receivables from reinsurers (presented in Other assets) amounts to EUR 343 million (2012: EUR 5,920 million; 2011: EUR 6,536 million). There was no provision for uncollectable reinsurance in 2013, 2012 and 2011.

Notes to the Consolidated annual accounts of NN Group continued

Changes in provision for unearned premiums and unexpired risks

	Provision net of reinsurance			Reinsurance contracts			Provision for unearned premiums and unexpired risk		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Opening balance	**265**	297	345	**2**	4	4	**267**	301	349
Changes in the composition of the group and other changes	**2**	–10	–23	**1**	–2		**3**	–12	–23
	267	287	322	**3**	2	4	**270**	289	326
Premiums written	**1,642**	1,693	1,682	**40**	40	43	**1,682**	1,733	1,725
Premiums earned during the year	**–1,643**	–1,715	–1,708	**–40**	–40	–43	**–1,683**	–1,755	–1,751
Exchange rate differences			1				**0**	0	1
Closing balance	**266**	265	297	**3**	2	4	**269**	267	301

Changes in claims provisions

	Provision net of reinsurance			Reinsurance contracts			Claims provision		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Opening balance	**3,179**	3,113	3,103	**84**	92	100	**3,263**	3,205	3,203
Changes in the composition of the group and other changes	**1**	–36	10	**–1**	–2		**0**	–38	10
	3,180	3,077	3,113	**83**	90	100	**3,263**	3,167	3,213
Additions:									
– for the current year	**1,176**	1,213	1,166	**9**	6	10	**1,185**	1,219	1,176
– for prior years	**–86**	–39	–71		2	–11	**–86**	–37	–82
– interest accrual of provision	**40**	45	40				**40**	45	40
	1,130	1,219	1,135	**9**	8	–1	**1,139**	1,227	1,134
Claim settlements and claim settlement costs:									
– for the current year	**–452**	–473	–472	**–1**	–1	–1	**–453**	–474	–473
– for prior years	**–618**	–643	–665	**–13**	–13	–6	**–631**	–656	–671
	–1,070	–1,116	–1,137	**–14**	–14	–7	**–1,084**	–1,130	–1,144
Exchange rate differences	**–2**	–1	2				**–2**	–1	2
Closing balance	**3,238**	3,179	3,113	**78**	84	92	**3,316**	3,263	3,205

NN Group has an outstanding balance of EUR 35 million as at 31 December 2013 (2012: EUR 36 million; 2011: EUR 35 million) relating to environmental and asbestos claims. In establishing the liability for unpaid claims and claims adjustment expenses related to asbestos related illness and toxic waste clean-up, management of NN Group considers facts currently known including current legislation and coverage litigation. Liabilities are recognised for IBNR claims and for known claims (including the costs of related litigation) when sufficient information has been obtained to indicate the involvement of a specific insurance policy, and management can reasonably estimate its liability. In addition, liabilities are reviewed and updated regularly.

Where discounting is used in the calculation of the claims provision the rate is, based on weighted averages, within the range of 3.0% to 4.0% (2012: 3.0% to 4.0%; 2011: 3.0% to 4.0%).

Notes to the Consolidated annual accounts of NN Group continued

Changes in investment contracts liabilities

	2013	2012	2011
Opening balance	**12,628**	13,198	11,974
Changes in the composition of the group and other changes	**–9,504**	53	702
	3,124	13,251	12,676
Current year liabilities	**3,773**	8,865	7,867
Prior year provisions:			
– payments to contract holders	**–4,522**	–9,471	–7,709
– interest accrual	**13**	30	39
– valuation changes investments	**69**	129	–55
	–4,440	–9,312	–7,725
Exchange rate differences	**–59**	–176	380
Closing balance	**2,398**	12,628	13,198

In 2013, Changes in the composition of the group and other changes includes EUR –9,402 million as a result of the transfer of ING U.S. and nil as a result of the classification to continuing operations of NN Group's business in Japan. Reference is made to Note 53 "Other events".

Gross claims development table

									Accident year		
	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
Estimate of cumulative claims:											
At the end of accident year	**1,096**	**1,109**	**1,100**	**1,020**	**1,078**	**1,200**	**1,169**	**1,217**	**1,232**	**1,217**	
1 year later	**979**	**1,041**	**1,057**	**923**	**1,060**	**1,213**	**1,198**	**1,244**	**1,182**		
2 years later	**856**	**940**	**978**	**859**	**1,033**	**1,153**	**1,159**	**1,191**			
3 years later	**840**	**911**	**965**	**861**	**1,032**	**1,146**	**1,157**				
4 years later	**843**	**896**	**974**	**842**	**1,024**	**1,129**					
5 years later	**836**	**893**	**960**	**837**	**1,041**						
6 years later	**834**	**875**	**965**	**849**							
7 years later	**834**	**875**	**970**								
8 years later	**828**	**875**									
9 years later	**835**										
Estimate of cumulative claims	**835**	**875**	**970**	**849**	**1,041**	**1,129**	**1,157**	**1,191**	**1,182**	**1,217**	**10,446**
Cumulative payments	**–721**	**–775**	**–841**	**–679**	**–820**	**–867**	**–866**	**–793**	**–699**	**–453**	**–7,514**
	114	**100**	**129**	**170**	**221**	**262**	**291**	**398**	**483**	**764**	**2,932**
Effect of discounting	**–6**	**–13**	**–15**	**–24**	**–30**	**–32**	**–39**	**–54**	**–50**	**–34**	**–297**
Liability recognised	**108**	**87**	**114**	**146**	**191**	**230**	**252**	**344**	**433**	**730**	**2,635**
Liability relating to accident years prior to 2004											**681**
Total amount recognised in the balance sheet											**3,316**

NN Group applies the exemption in IFRS-EU not to present Gross claims development for annual periods beginning before 1 January 2004 (the date of transition to IFRS-EU) as it is impracticable to obtain such information.

Notes to the Consolidated annual accounts of NN Group continued

18 CUSTOMER DEPOSITS AND OTHER FUNDS ON DEPOSIT

Customer deposits and other funds on deposit

	2013	2012	2011
Savings accounts	**5,769**	0	0

Customer deposits and other funds on deposit by type

	2013	2012	2011
Interest bearing	**5,769**	0	0

The retail banking activities of Nationale-Nederlanden have grown significantly during the year 2013, mainly due to the partial transfer of WestlandUtrecht Bank.

No funds have been entrusted to NN Group by customers on terms other than those prevailing in the normal course of business.

Savings accounts relate to the balances on savings accounts, savings books, savings deposits and time deposits of personal customers. The interest payable on savings accounts, which is contractually added to the accounts, is also included.

19 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss

	2013	2012	2011
Non-trading derivatives	**1,843**	3,258	4,404

The change in Financial liabilities at fair value through profit or loss includes EUR –2,290 million as a result of the transfer of ING U.S. and EUR 1,232 million as a result of the classification to continuing operations of NN Group's business in Japan. Reference is made to Note 53 "Other events".

Non-trading derivatives by type

	2013	2012	2011
Derivatives used in:			
– fair value hedges		203	264
– cash flow hedges	**215**	255	302
– hedges of net investments in foreign operations	**8**		12
Other non-trading derivatives	**1,620**	2,800	3,826
	1,843	3,258	4,404

Other non-trading derivatives mainly include interest rate swaps for which no hedge accounting is applied.

Notes to the Consolidated annual accounts of NN Group continued

20 OTHER LIABILITIES

Other liabilities by type	2013	2012	2011
Deferred tax liabilities	**702**	1,220	1,843
Income tax payable	**86**	379	53
Net defined benefit liability	**51**	666	631
Other post-employment benefits	**40**	77	74
Other staff-related liabilities	**147**	254	502
Other taxation and social security contributions	**176**	101	148
Deposits from reinsurers	**58**	869	1,015
Accrued interest	**530**	593	812
Costs payable	**328**	702	1,079
Amounts payable to brokers	**4**	50	72
Amounts payable to policyholders	**464**	2,139	2,171
Reorganisation provision	**155**	275	79
Other provisions	**68**	84	134
Amounts to be settled	**772**	2,687	3,874
Other	**544**	855	1,300
	4,125	10,951	13,787

Disclosures in respect of Net defined benefit liabilities are provided in Note 38 “Pension and other post-employment benefits” and deferred tax liabilities are provided in Note 39 “Taxation”.

The change in Other liabilities includes EUR –4,451 million as a result of the transfer of ING U.S. and EUR 1,093 million as a result of the classification to continuing operations of NN Group’s business in Japan. Reference is made to Note 53 “Other events”.

Other staff-related liabilities include vacation leave provisions, variable compensation provisions, jubilee provisions and disability/illness provisions.

Other mainly relates to year-end accruals in the normal course of business.

The provision for the estimated cost of the agreement with regard to unit-linked policies is included in “Insurance and investment contracts” as disclosed in Note 17.

Changes in reorganisation provisions	2013	2012	2011
Opening balance	**275**	79	101
Changes in the composition of the group and other changes	**–10**	–13	–7
Additions	**68**	364	136
Releases	**–36**	–7	–6
Charges	**–142**	–148	–144
Exchange rate differences			–1
Closing balance	**155**	275	79

In 2013, Changes in the composition of the group and other changes includes EUR –10 million as a result of the transfer of ING U.S. and nil as a result of the classification to continuing operations of NN Group’s business in Japan. Reference is made to Note 53 “Other events”.

In 2012, a reorganisation provision of EUR 198 million was recognised for the insurance operations in the Netherlands following the initiative to accelerate the transformation programme in preparation for the stand-alone future of NN Group. In response to changing customer preferences and market dynamics, NN Group is undertaking actions to increase its agility in the current operating environment by delayering the support staff structure in the Netherlands and sharpen the strategic focus of its business units, in particular Nationale-Nederlanden. These measures are expected to result in a reduction of the workforce of around 1,350 FTE’s by the end of 2014.

In 2013 EUR 63 million from the reorganisation provision has been used as a result of the workforce reduction. The remaining provision at the balance sheet date represents the best estimate of the expected redundancy costs and are expected to be sufficient to cover the remaining costs of the transformation program. The remaining costs are costs for redundant employees in the mobility centre and future redundancies.

Notes to the Consolidated annual accounts of NN Group continued

In 2012 an additional reorganisation provision of EUR 55 million was recognised for the insurance operations in the Netherlands for the strategic initiatives announced in 2011. The main goals of the strategic initiative are to regain customer trust, diversify distribution channels, implement a new product range and increase efficiency. The remainder of this reorganisation provision will be incorporated with the above mentioned reorganisation provision per 2014.

In general Reorganisation provisions are of a short-term.

Changes in other provisions

	Litigation			Other			Total		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Opening balance	**21**	41	54	**63**	93	90	**84**	134	144
Changes in the composition of the group and other changes	**–13**	–10	–3	**30**	4	20	**17**	–6	17
Additions		9	7	**9**	14	27	**9**	23	34
Releases		–14	–7	**–3**	–32	–3	**–3**	–46	–10
Charges	**–4**	–3	–8	**–30**	–14	–34	**–34**	–17	–42
Exchange rate differences	**–1**	–2	–2	**–4**	–2	–7	**–5**	–4	–9
Closing balance	**3**	21	41	**65**	63	93	**68**	84	134

In general Other provisions are of a short-term nature.

The amounts included in Other provisions are based on best estimates with regard to amounts and timing of cash flows required to settle the obligation.

Notes to the Consolidated annual accounts of NN Group continued

PROFIT AND LOSS ACCOUNT
CONTINUING OPERATIONS
21 GROSS PREMIUM INCOME

Gross premium income

	2013	2012	2011
Gross premium income from life insurance policies	**7,848**	8,972	9,597
Gross premium income from non-life insurance policies	**1,682**	1,733	1,695
	9,530	10,705	11,292

Gross premium income has been presented before deduction of reinsurance and retrocession premiums granted. Gross premium income excludes premium received for investment contracts, for which deposit accounting is applied.

Effect of reinsurance on premiums written

			Non-Life			Life			Total
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Direct gross premiums written	**1,656**	1,709	1,672	**7,842**	8,973	9,592	**9,498**	10,682	11,264
Reinsurance assumed gross premiums written	**26**	24	23	**6**	–1	5	**32**	23	28
Total gross premiums written	**1,682**	1,733	1,695	**7,848**	8,972	9,597	**9,530**	10,705	11,292
Reinsurance ceded	**–40**	–40	–39	**–103**	–100	–103	**–143**	–140	–142
	1,642	1,693	1,656	**7,745**	8,872	9,494	**9,387**	10,565	11,150

Effect of reinsurance on non-life premiums earned

	2013	2012	2011
Direct gross premiums earned	**1,657**	1,731	1,699
Reinsurance gross assumed premiums earned	**26**	24	23
Total gross premiums earned	**1,683**	1,755	1,722
Reinsurance ceded	**–40**	–40	–39
	1,643	1,715	1,683

See Note 28 “Underwriting expenditure” for disclosure on reinsurance ceded.

22 INVESTMENT INCOME

Investment income

	2013	2012	2011
Income from real estate investments	**50**	54	50
Dividend income	**180**	196	213
	230	250	263
Interest income from investments in debt securities	**1,922**	2,088	2,146
Interest income from loans:			
– unsecured loans	**176**	235	293
– mortgage loans	**416**	442	444
– policy loans	**8**	9	9
– other	**119**	40	117
Interest income from investments in debt securities and loans	**2,641**	2,814	3,009
Realised gains/losses on disposal of debt securities	**185**	–117	–35
Impairments of available-for-sale debt securities		–15	–584
Realised gains/losses and impairments of debt securities	**185**	–132	–619
Realised gains/losses on disposal of equity securities	**127**	444	368
Impairments of available-for-sale equity securities	**–172**	–144	–173
Realised gains/losses and impairments of equity securities	**–45**	300	195
Interest income on non-trading derivatives	**614**	556	634
Change in fair value of real estate investments	**–6**	–49	1
Investment income	**3,619**	3,739	3,483

In 2013, an impairment of nil (2012: nil; 2011: EUR 390 million) was recognised on Greek government bonds and an impairment of nil (2012: nil; 2011: EUR 189 million) was recognised on subordinated debt from Irish banks. Both are included in Impairments of available-for-sale debt securities. Reference is made to the “Risk management” section for further information on these impairments.

Impairments on investments are presented within Investment Income, which is part of Total income. This can be specified for each segment as follows:

Impairments on investments per segment

			Impairments
	2013	2012	2011
Netherlands Life	**–156**	–131	–281
Netherlands Non-life	**–10**	–9	–42
Insurance Europe	**–3**	–16	–425
Japan Life		–1	
Other	**–3**	–2	–9
	–172	–159	–757

23 RESULT ON DISPOSALS OF GROUP COMPANIES

The result on disposal of the insurance businesses in Hong Kong, Macau and Thailand, the investment management businesses in Malaysia and Thailand and ING Life Korea (2012: the insurance business in Malaysia; 2011: Latin American operations) is not included in “Result on disposals of group companies” but in “Result on disposal of discontinued operations”. Reference is made to Note 33 “Discontinued operations”.

Notes to the Consolidated annual accounts of NN Group continued

Result on disposal of group companies			
	2013	2012	2011
ING Hipotecaria	**–64**		
Other	**19**		–4
	–45	0	–4

Reference is made to Note 49 "Companies and businesses acquired and divested" for more details.

24 COMMISSION INCOME

Gross fee and commission income			
	2013	2012	2011
Insurance broking	**89**	97	99
Asset management fees	**716**	687	755
Brokerage and advisory fees	**4**	7	6
Other	**147**	133	477
	956	924	1,337

Asset management fees related to the management of investments held for the risk of policyholders of EUR 36 million (2012: EUR 41 million; 2011: EUR 46 million) are included in Commission Income.

Fee and commission expenses			
	2013	2012	2011
Management fees	**20**	28	108
Brokerage and advisory fees			1
Other	**310**	303	591
	330	331	700

"Other" mainly relates to trailer fees paid to third parties.

25 VALUATION RESULTS ON NON-TRADING DERIVATIVES

Valuation results on non-trading derivatives			
	2013	2012	2011
Change in fair value of derivatives relating to:			
– fair value hedges	**–6**	6	–3
– cash flow hedges (ineffective portion)	**50**	–13	–16
– other non-trading derivatives	**–2,662**	–2,285	1,042
Net result on non-trading derivatives	**–2,618**	–2,292	1,023
Change in fair value of assets and liabilities (hedged items)	**3**	–6	3
Valuation results on assets and liabilities designated as at fair value through profit or loss (excluding trading)	**–276**	–276	–1
Net valuation results	**–2,891**	–2,574	1,025

Included in Valuation results on non-trading derivatives are the fair value movements on derivatives used to economically hedge exposures, but for which no hedge accounting is applied. These derivatives hedge exposures in insurance contract liabilities. The fair value movements on the derivatives are influenced by changes in the market conditions, such as stock prices, interest rates and currency exchange rates. The change in fair value of the derivatives is largely offset by changes in insurance contract liabilities, which are included in Underwriting expenditure. Reference is made to Note 28 "Underwriting expenditure".

Valuation results on non-trading derivatives are reflected in the Consolidated statement of cash flows in the section "Result before tax", in the line item "Adjusted for: other".

26 FOREIGN CURRENCY RESULTS AND NET TRADING INCOME

Foreign currency results and Net trading income			
	2013	2012	2011
Foreign currency results	**108**	481	–180
Net trading income	**108**	91	37
Other	**–30**	–33	26
	186	539	–117

Net trading income mainly relates to private equity investments at fair value through profit or loss.

27 OTHER INCOME

In 2011, Other income includes a gain of EUR 95 million on the repurchase of subordinated loans as disclosed in Note 14 “Subordinated loans”.

28 UNDERWRITING EXPENDITURE

Underwriting expenditure			
	2013	2012	2011
Gross underwriting expenditure:			
– before effect of investment result for risk of policyholder	**8,655**	10,350	13,238
– effect of investment result for risk of policyholder	**4,930**	5,517	206
	13,585	15,867	13,444
Investment result for risk of policyholders	**–4,930**	–5,517	–206
Reinsurance recoveries	**–70**	–73	–81
Underwriting expenditure	**8,585**	10,277	13,157

The investment income and valuation results regarding investments for risk of policyholders is EUR 4,930 million (2012: EUR 5,517 million; 2011: EUR 206 million). This amount is not recognised in “Investment income” nor “Valuation results on assets and liabilities designated as at fair value through profit or loss” but are in Underwriting expenditure. As a result it is shown together with the equal amount of related change in insurance provisions for risk of policyholders.

Notes to the Consolidated annual accounts of NN Group continued

Underwriting expenditure by class

	2013	2012	2011
Expenditure from life underwriting			
Reinsurance and retrocession premiums	**103**	100	103
Gross benefits	**11,576**	10,860	9,250
Reinsurance recoveries	**–58**	–61	–72
Change in life insurance provisions	**–6,429**	–2,592	1,830
Costs of acquiring insurance business	**1,863**	496	474
Other underwriting expenditure	**92**	75	84
Profit sharing and rebates	**51**	24	112
	7,198	8,902	11,781
Expenditure from non-life underwriting			
Reinsurance and retrocession premiums	**40**	40	39
Gross claims	**1,077**	1,103	1,086
Reinsurance recoveries	**–12**	–12	–9
Changes in the provision for unearned premiums	**–1**	–22	–27
Changes in the claims provision	**70**	109	5
Costs of acquiring insurance business	**258**	263	261
Other underwriting expenditure	**1**		–2
	1,433	1,481	1,353
Expenditure from investment contracts			
Costs of acquiring investment contracts	**1**	2	3
Other changes in investment contract liabilities	**–47**	–108	20
	–46	–106	23
	8,585	10,277	13,157

Profit sharing and rebates

	2013	2012	2011
Distributions on account of interest or underwriting results	**–26**	–28	21
Bonuses added to policies	**77**	52	91
	51	24	112

The total Cost of acquiring insurance business (life and non-life) and investment contracts amounted to EUR 2,122 million (2012: EUR 761 million; 2011: EUR 738 million). This includes amortisation and unlocking of DAC of EUR 1,892 million (2012: EUR 1,066 million; 2011: EUR 1,702 million) and the net amount of commissions paid of EUR 854 million (2012: EUR 1,369 million; 2011: EUR 623 million) and commissions capitalised in DAC of EUR 624 million (2012: EUR 1,674 million; 2011: EUR 1,587 million). In 2013, Cost of acquiring insurance business includes the reduction of DAC of EUR 1,405 million for Japan Closed Block VA as explained below.

The total amount of commission paid and commission payable amounted to EUR 841 million (2012: EUR 897 million; 2011: EUR 903 million). This includes the commissions recognised in Costs of acquiring insurance business of EUR 854 million (2012: EUR 1,369 million; 2011: EUR 623 million) referred to above and commissions recognised in Other underwriting expenditure of EUR –13 million (2012: EUR –472 million; 2011: EUR 280 million). Other underwriting expenditure also includes reinsurance commissions received of EUR 16 million (2012: EUR 23 million; 2011: EUR 26 million).

In 2013, “Change in life insurance provisions” includes an amount of EUR 177 million as a result of the refined market interest rate assumption that is used in determining certain components of the insurance liabilities for the separate account pension business in the Netherlands.

As set out in the section “Principles of valuation and determination of results – Insurance, investment and reinsurance contracts”, ING applies, for certain specific products or components thereof, the option in IFRS 4 to measure (components of) the provisions for liabilities under insurance contracts using market-consistent interest rates and other current estimates and assumptions. This relates mainly to certain guarantees embedded in insurance contracts in Japan. The impact of these market-consistent assumptions is reflected in “Underwriting expenditure – Change in life insurance provisions”.

This impact was largely offset by the impact of related hedging derivatives. As disclosed in Note 28 “Valuation results on non-trading derivatives”, the valuation results on non-trading derivatives include the fair value movements on derivatives used to economically hedge exposures, but for which no hedge accounting is applied. For insurance operations, these derivatives hedge exposures in Insurance contract liabilities. The fair value movements on the derivatives are influenced by changes in the market conditions, such as stock prices, interest rates and currency exchange rates. The change in fair value of the derivatives is largely offset by changes in Insurance contract liabilities, which are included in Underwriting expenditure.

The “Change in life insurance provision” in 2013 includes a larger release from Insurance provisions compared to 2012 following an increase in benefit payments and lower premium income. “Underwriting expenditure – Gross benefits” increased by EUR 716 million in 2013 compared to 2012, which was largely offset by lower “Changes in life insurance provisions”. Gross premium income in 2013 was EUR 1,175 million lower compared to 2012. Furthermore, “Change in life insurance provision” in 2013 includes a release of EUR 867 million related to Japan Closed block VA as explained below.

In 2013, the separate reporting of the Japan Closed Block VA business line triggered a charge of EUR 575 million before tax to restore the reserve inadequacy of that business line to the 50% confidence level. This charge includes a reduction of DAC of EUR 1,405 million (included in “Underwriting expenditure – Costs of acquiring insurance business”, which is partly offset by a release of the life insurance provision related to unearned revenues of EUR 867 million (included in “Underwriting expenditure – Change in life insurance provisions”). Reference is made to Note 53 “Other events”.

29 INTANGIBLE AMORTISATION AND OTHER IMPAIRMENTS

Intangible amortisation and (reversals of) other impairments

	2013	2012	2011
Property and equipment	**1**	1	1
Goodwill		56	
Software and other intangible assets	**2**	2	34
(Reversals of) other impairments	**3**	59	35
Amortisation of other intangible assets	**8**	10	7
	11	69	42

Reference is made to Note 9 “Intangible assets” for more details.

Impairment on Loans and advances to customers are presented under Investment income. Reference is made to the “Risk management” section for further information on impairments.

30 STAFF EXPENSE

Staff expense

	2013	2012	2011
Salaries	**747**	759	799
Pension costs	**67**	–146	35
Other staff related benefit costs	**–8**	35	4
Social security costs	**101**	105	95
Share-based compensation arrangements	**11**	16	15
External employees	**206**	207	139
Education	**14**	18	15
Other staff costs	**40**	43	26
	1,178	1,037	1,128

In 2013 and 2012, the Dutch Government imposed an additional tax charge of 16% on income in excess of EUR 150,000 of each employee, subject to Dutch income tax. The tax is charged to NN Group and does not affect the remuneration of involved staff. The tax imposed on NN Group for relevant employees amounts to EUR 6.0 million (2012:EUR 5.8 million) which is included in the amounts in the table above.

Notes to the Consolidated annual accounts of NN Group continued

Number of employees

	Netherlands			International			Total		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Continuing operations – average number of employees at full time equivalent basis	**6,217**	6,868	7,305	**4,995**	5,643	5,796	**11,212**	12,511	13,101
Discontinued operations – average number of employees at full time equivalent basis				**7,285**	13,182	20,143	**7,285**	13,182	20,143
Total average number of employees at full time equivalent basis	**6,217**	6,868	7,305	**12,280**	18,825	25,939	**18,497**	25,693	33,244

Remuneration of senior management, Management Board and Supervisory Board
Reference is made to Note 52 “Related parties”.

Stock option and share plans
NN Group’s ultimate parent, ING Groep N.V., has granted option rights on ING Groep N.V. shares and conditional rights on depositary receipts (share awards) for ING Group shares to a number of senior executives (members of the management board, general managers and other officers nominated by the Management Board NN Group) and to a considerable number of employees of NN Group. The purpose of the option and share schemes, is to attract, retain and motivate senior executives and staff.

In 2012, ING granted three types of share awards, deferred shares, performance shares and upfront shares. The entitlement to the share awards was granted conditionally. If the participant remains in employment for an uninterrupted period between the grant date and the vesting date, the entitlement becomes unconditional. In addition to the employment condition, the performance shares contain a performance condition. The number of ING depositary receipts that would ultimately be granted at the end of a performance period is dependent on ING’s performance over that period. Upfront and deferred shares, with retention periods as soon as it becomes unconditional, were awarded to the Management Board members of NN Group, as well as Identified staff. ING has the authority to apply a hold back to awarded but unvested shares and a claw-back to vested shares.

In 2013, 58,954 share awards (2012: 509,553; 2011: 25,370) were granted to the Management Board NN Group. To senior management and other employees of NN Group 2,584,479 share awards (2012: 9,506,061; 2011: 8,819,873) were granted.

Every year, the Board decides whether the option and share schemes are to be continued and, if so, to what extent. In 2010 the Board decided not to continue the option scheme as from 2011. The existing option schemes up and until 2011 will be run off in the coming years.

The option rights are valid for a period of five or ten years. Option rights that are not exercised within this period lapse. Option rights granted will remain valid until the expiry date, even if the option scheme is discontinued. The option rights are subject to certain conditions, including a pre-determined continuous period of service. The exercise prices of the options are the same as the quoted prices of ING Groep N.V. shares at the date on which the options are granted.

As at 31 December 2013, no own shares were held in order to fulfil its obligations with regard to the existing stock option plan. As at 31 December 2012: 26,429,948 own shares (2011: 42,126,329) were held in connection with the option plan.

The obligations with regard to the share plans will be funded either by cash or by newly issued shares.

The tables below disclose the option rights outstanding for employees of NN Group.

Changes in option rights outstanding

	Options outstanding (in number)			Weighted average exercise price (in euros)		
	2013	2012	2011	**2013**	2012	2011
Opening balance	**33,821,638**	44,189,864	49,162,987	**14.68**	14.71	14.97
Exercised or transferred	**–19,602,450**	–1,993,691	2,170,169	**14.56**	3.42	21.49
Forfeited	**–553,906**	–1,021,065	–1,259,217	**14.43**	10.62	12.68
Expired	**–3,477,340**	–7,353,470	–5,884,075	**11.48**	18.40	20.06
Closing balance	**10,187,942**	33,821,638	44,189,864	**15.99**	14.68	14.71

In 2013, “Exercised or transferred” includes 16,750,023 option rights related to ING U.S., which was transferred to ING Group. Reference is made to Note 53 “Other events”.

Notes to the Consolidated annual accounts of NN Group continued

As at 31 December 2013 total options outstanding consists of 3,302,570 options (2012: 29,804,428; 2011: 39,333,056) relating to equity-settled share-based payment arrangements and 6,885,372 options (2012: 4,017,210; 2011: 4,856,808) relating to cash-settled share-based payment arrangements.

The weighted average share price at the date of exercise for options exercised in 2013 is EUR 8.24 (2012: EUR 6.15; 2011: EUR 8.09).

Changes in option rights non-vested

	Options non-vested (in number)			Weighted average grant date fair value (in euros)		
	2013	2012	2011	**2013**	2012	2011
Opening balance	**6,180,625**	14,164,245	21,552,537	**3.27**	2.61	3.01
Vested or transferred	**–6,012,595**	–7,333,710	–6,580,861	**3.27**	2.05	3.88
Forfeited	**–168,030**	–649,910	–807,431	**3.27**	2.74	3.03
Closing balance	**0**	6,180,625	14,164,245	**0.00**	3.27	2.61

Summary of stock options outstanding and exercisable

2013 **Range of exercise price in euros**	**Options outstanding as at 31 December 2013**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Options exercisable as at 31 December 2013**	**Weighted average remaining contractual life**	**Weighted average exercise price**
0.00 – 5.00	**904,094**	**5.07**	**2.90**	**904,094**	**5.07**	**2.90**
5.00 – 10.00	**1,892,578**	**6.21**	**7.36**	**1,892,578**	**6.21**	**7.36**
10.00 – 15.00	**1,002,815**	**0.39**	**14.37**	**1,002,815**	**0.39**	**14.37**
15.00 – 20.00	**3,537,026**	**2.79**	**17.23**	**3,537,026**	**2.79**	**17.23**
20.00 – 25.00	**1,389,814**	**3.11**	**24.59**	**1,389,814**	**3.11**	**24.59**
25.00 – 30.00	**1,461,615**	**2.23**	**25.17**	**1,461,615**	**2.23**	**25.17**
	10,187,942			**10,187,942**		

Summary of stock options outstanding and exercisable

2012 Range of exercise price in euros	Options outstanding as at 31 December 2012	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable as at 31 December 2012	Weighted average remaining contractual life	Weighted average exercise price
0.00 – 5.00	4,491,078	6.17	2.90	4,491,078	6.17	2.90
5.00 – 10.00	8,364,153	5.43	7.80	2,183,528	0.34	9.06
10.00 – 15.00	2,774,702	1.27	14.31	2,774,702	1.27	14.31
15.00 – 20.00	9,725,616	3.73	17.26	9,725,616	3.73	17.26
20.00 – 25.00	4,004,382	4.17	24.58	4,004,382	4.17	24.58
25.00 – 30.00	4,461,707	3.23	25.17	4,461,707	3.23	25.17
	33,821,638			27,641,013		

Notes to the Consolidated annual accounts of NN Group continued

Summary of stock options outstanding and exercisable

2011 Range of exercise price in euros	Options outstanding as at 31 December 2011	Weighted average remaining contractual life	Weighted average exercise price	Options exercisable as at 31 December 2011	Weighted average remaining contractual life	Weighted average exercise price
0.00 – 5.00	6,809,837	7.18	2.90			
5.00 – 10.00	9,591,024	6.58	7.78	2,236,616	1.19	9.12
10.00 – 15.00	3,172,161	2.27	14.30	3,172,161	2.27	14.30
15.00 – 20.00	12,305,273	4.24	17.08	12,305,273	4.24	17.08
20.00 – 25.00	7,104,328	3.23	23.80	7,104,328	3.23	23.80
25.00 – 30.00	5,207,241	4.27	25.18	5,207,241	4.27	25.18
	44,189,864			30,025,619		

As at 31 December 2013, the aggregate intrinsic value of options outstanding and exercisable are EUR 12 million and EUR 12 million, respectively (2012: EUR 19 million and EUR 19 million respectively and 2011: EUR 18 million and nil respectively).

As at 31 December 2013, unrecognised compensation costs related to stock options amounted to nil (2012: EUR 1 million; 2011: EUR 10 million).

The fair value of options granted is recognised as an expense in staff expenses and is allocated over the vesting period of the options. The fair value of the option awards have been determined by using a Monte Carlo simulation model. This model takes the risk free interest rate into account (2.0% to 4.6%), as well as the expected life of the options granted (from 5 to 9 years), the exercise price, the current share price (EUR 2.90 – EUR 26.05), the expected volatility of the certificates of ING Groep N.V. shares (25% – 84%) and the expected dividend yield (0.94% – 8.99%).

The source for implied volatilities used for the valuation of the stock options is ING Group's trading system. The implied volatilities in this system are determined by ING Group's traders and are based on market data implied volatilities, not on historical volatilities.

31 INTEREST EXPENSE

Other interest expense mainly consist of interest on the subordinated loans.

In 2013, total interest income and total interest expense for items not valued at fair value through profit or loss were EUR 2,641 million and EUR –255 million respectively (2012: EUR 2,814 million and EUR –303 million respectively; 2011: EUR 3,009 million and EUR –378 million respectively). Net interest income of EUR 2,050 million is presented in the following lines in the profit and loss account.

Total net interest income

	2013	2012	2011
Investment income 22	**2,641**	2,814	3,009
Interest expense on non-trading derivatives	**–336**	–302	–350
Other interest expense	**–255**	–303	–378
	2,050	2,209	2,281

Notes to the Consolidated annual accounts of NN Group continued

32 OTHER OPERATING EXPENSE

Other operating expense	2013	2012	2011
Depreciation of property and equipment	**37**	31	29
Amortisation of software	**54**	50	36
Computer costs	**219**	203	173
Office expense	**133**	138	144
Travel and accommodation expenses	**17**	23	35
Advertising and public relations	**51**	52	49
External advisory fees	**116**	172	198
Postal charges	**9**	3	–1
Addition/(releases) of provision for reorganisations and relocations	**6**	254	43
Other	**206**	348	387
	848	1,274	1,093

Other operating expense include lease and sublease payments for the amount of EUR 13 million (2012: EUR 11 million; 2011: EUR 2 million) in respect of operating leases in which NN Group is the lessee. No individual operating lease has terms and conditions that significantly affect the amount, timing or certainty of the consolidated cash flows of NN Group.

For Addition/(releases) of provision for reorganisation and relocations reference is made to the disclosure on the reorganisation provision in Note 20 “Other liabilities”.

DISCONTINUED OPERATIONS

33 DISCONTINUED OPERATIONS

As at 31 December 2013, ING U.S. and the remaining insurance and investment management businesses in Asia (“Asia”), excluding NN Group’s business in Japan are classified as discontinued operations.

ING U.S.

At 30 September 2013, the remaining interest in ING U.S. was transferred to ING Groep N.V. As of the date of transfer, ING U.S. ceased to be consolidated; the results for the period until transfer are presented as discontinued operations.

NN Group’s business in Japan

After carefully exploring and evaluating the options available for the divestment of ING Life Japan, it was concluded that ING Life Japan will be included with NN Group’s European insurance and investment management businesses in the base case IPO of NN Group in 2014.

As a result, ING Life Japan and the Japanese Closed Block VA guarantees reinsured to ING Re (“NN Group’s business in Japan”) are no longer classified as discontinued operations. All references to Asia in this disclosure therefore, refer to the insurance and investment management businesses in Asia other than NN Group’s business in Japan.

Reference is made to Note 53 “Other events”.

In 2011, the pension, life insurance and investment management activities in Latin America (“Latin America”) were classified as discontinued operations. The divestment of Latin America was completed in December 2011.

Total net result from discontinued operations	2013	2012	2011
ING U.S.	**–174**	502	–635
Asia	**219**	337	319
Latin America			114
Net result from discontinued operations	**45**	839	–202
Net result from classification as discontinued operations Asia	**–42**	–394	
Net result from disposal of discontinued operations [(1)]	**17**	752	995
Total net result from discontinued operations	**20**	1,197	793

[(1)] The tax effect on the result on disposal of discontinued operations is nil.

Notes to the Consolidated annual accounts of NN Group continued

Net result from discontinued operations consists of the net result (after tax) of the businesses classified as discontinued operations and is presented separately in the profit and loss account. Net result from ING U.S. included in Net result from discontinued operations covers the period from the beginning of the year, till 30 September 2013 when it was transferred to ING Groep N.V.

Net result from discontinued operations was as follows:

Result from discontinued operations

	2013	2012	2011
Total income	13,354	21,840	22,358
Total expenses	13,174	20,909	22,567
Result before tax from discontinued operations	180	931	–209
Taxation	135	92	–7
Net result from discontinued operations	45	839	–202

In 2013, “Net result from classification as discontinued operations Asia” included a goodwill write-off of EUR 42 million in Investment Management Taiwan. In 2012, “Net result from classification as discontinued operations Asia” included goodwill write-offs of EUR 200 million in ING Life Korea, EUR 180 million in Investment Management Korea and EUR 15 million in ING Vysya Life Insurance. Reference is made to Note 11 “Assets and liabilities held for sale”.

In 2013, “Net result from disposal of discontinued operations” includes mainly the divestment gain on the sale of the insurance businesses in Hong Kong, Macau and Thailand of EUR 944 million and the divestment loss of EUR 989 million on the sale of ING Life Korea. In 2012, “Net result from disposal of discontinued operations” included the divestment gain on the sale of the insurance business in Malaysia. In 2011, Net result from disposal of discontinued operations included the divestment gain on the sale of Latin America. Reference is made to Note 49 “Companies and businesses acquired and divested”.

The net cash flow from discontinued operations was as follows:

Net cash flow from discontinued operations

	2013	2012	2011
Operating cash flow	–5,751	1,171	3,655
Investing cash flow	3,961	–2,075	929
Financing cash flow	–642	1,351	–4,613
Net cash flow	–2,432	447	–29

Sales proceeds in cash are presented in the Consolidated statement of cash flows under “Net cash flow from investment activities – Disposals and redemptions: group companies”. The proceeds relating to the IPO of ING U.S. are presented in the Consolidated statement of cash flows under “Proceeds of IPO ING U.S.”. These proceeds are not included in the table above.

The activities of ING U.S. were, prior to the transfer of ING U.S., reported in the segments Insurance United States, Insurance Closed Block VA, Investment management US and in the Corporate line US. Due to the transfer, these segments ceased to exist.

The insurance and investment management businesses in Asia were previously included respectively in the segments Insurance Asia/Pacific, Investment Management and in Other before they were classified as discontinued operations and held for sale. The segment Insurance Asia/Pacific ceased to exist in 2012, following the classification as discontinued operations, as all activities previously included in this segment are now discontinued operations.

Notes to the Consolidated annual accounts of NN Group continued

STATEMENT OF CASH FLOWS

34 NET CASH FLOW FROM INVESTING ACTIVITIES

Information on the impact of companies acquired or divested is presented in Note 49 “Companies and businesses acquired and divested”.

35 INTEREST AND DIVIDEND INCLUDED IN NET CASH FLOW

Interest and dividend received or paid

	2013	2012	2011
Interest received	**3,806**	3,558	3,861
Interest paid	**–595**	–612	–811
	3,211	2,946	3,050
Dividend received	**217**	252	340
Dividend paid	**–882**		

Interest received, interest paid and dividends received are included in operating activities in the Consolidated statement of cash flows. Dividend paid is included in financing activities in the Consolidated statement of cash flows.

OTHER

36 SEGMENTS

NN Group’s segments are based on the internal reporting structure by lines of business. The segments Insurance United States, Insurance US Closed Block VA, Investment Management US and Corporate line US ceased to exist due to the transfer of ING U.S. In 2012, the segment Insurance Asia/Pacific ceased to exist. Furthermore during 2013, NN Group has adjusted its reporting structure to better align its segmentation with the businesses that it comprises, their governance and internal management, and to reflect the decision to include ING Japan with the intended IPO of NN Group. Reference is made to Note 53 “Other events”. The comparatives have been adjusted to reflect the new segment structure.

The new reporting segments for NN Group are as follows:

Segments of NN Group
Netherlands Life
Netherlands Non-life
Insurance Europe
Japan Life
Investment Management (IM)
Other
Japan Closed Block VA

The Management Board NN Group sets the performance targets and approves and monitors the budgets prepared by the business lines. Business lines formulate strategic, commercial and financial policy in conformity with the strategy and performance targets set by 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 business lines 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.

As of 2013, NN Group evaluates the results of its segments using a financial performance measure called operating result. Operating result is defined as result under IFRS-EU excluding the impact of non-operating items, divestments, discontinued operations and special items. Disclosures on comparative years also reflect the impact of current year’s divestments. Non-operating items include realised capital gains/losses and impairments on debt and equity securities, revaluations on assets marked-to-market through the profit and loss account and other non-operating market impacts. Special items include items of income or expense that are significant and arise from events or transactions that are clearly distinct from the ordinary operating activities.

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. Operating result as presented below is a 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.

Notes to the Consolidated annual accounts of NN Group continued

The operating result of NN Group's segments is reconciled to the Net result as reported in the IFRS-EU Consolidated profit and loss account below.

The information presented in this note is in line with the information presented to the Management Board NN Group.

The following table specifies the main sources of income of each of the segments:

Specification of the main source of income of each of the segments

Segment	Main source of income
Netherlands Life	Income from group life and individual life insurance products in the Netherlands
Netherlands Non-life	Income from non-life insurance in the Netherlands including disability and accident, fire, motor and transport insurance
Insurance Europe	Income from life insurance, pension products and to a small extent non-life insurance and retirement services in Central and Rest of Europe
Japan Life	Income from life insurance primarily Corporate Owned Life Insurance (COLI) business
Investment Management (IM)	Income from investment management activities.
Other	Income from banking activities in the Netherlands, corporate reinsurance and items related to capital management.
Japan Closed Block VA	Consists of the 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 now being managed in run-off.

In addition to these segments, NN Group reconciles the total segment results to the total result using Insurance Other. Insurance Other reflects the share in the result of the Brazilian insurer Sul América and overhead expenses of ING Group allocated to NN Group. As of 2014, Insurance Other will cease to exist.

This note does not provide information on the revenue specified to each product or service as this is not reported internally and is therefore not readily available.

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. These investments include debt and equity securities (including fixed income and equity funds), private equity (< 20% ownership), real estate funds as well as 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 programs (i.e. interest rate swaps, foreign exchange hedges) and direct equity hedges.
  - Market & other impacts: these impacts mainly comprise the change in the provision for guarantees on separate account pension contracts (net of hedging) in the Netherlands, the equity related and other deferred acquisition costs unlocking for Japan Closed-Block VA as well as the accounting volatility related to the reinsurance of minimum guaranteed benefits of Japan Closed-Block VA.
- Result on divestments: result before tax related to divested operations.
- Special items before tax: items of income or expense 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 for instance restructuring expenses, goodwill impairments, results related to early retirement of debt and gains/losses from employee pension plan amendments or curtailments.
- Total net result from discontinued operations: Reference is made to Note 33 “Discontinued operations”.

Notes to the Consolidated annual accounts of NN Group continued

Segments

2013	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	IM	Other	Japan Closed Block VA	Insurance Other	Total
Investment margin	557		105	7	1				669
Fees and premium based revenues	461		507	436	444		136		1,984
Technical margin	237		191	2					431
Operating income non-modelled life business			20						20
Life & IM operating income	1,255	0	824	445	445	0	136	0	3,104
Administrative expenses	472		310	106	314		18	18	1,238
DAC amortisation and trail commissions	75		319	177			38		609
Life & IM expenses	547	0	630	283	314	0	56	18	1,847
Life & IM operating result	709	0	194	162	131	0	80	–18	1,257
Non-life operating result		79	5						84
Operating result Other						–373			–373
Operating result	709	79	199	162	131	–373	80	–18	968
Non-operating items:									
– gains/losses and impairments	–43	–1	55	42		44	1		98
– revaluations	27	5	–3	–11		–14			3
– market & other impacts	–329						–750		–1,079
Special items before tax	–22	–16	–9			–79			–126
Result on divestments	5					–50		129	84
Result before tax from continuing operations	347	66	243	192	131	–473	–669	111	–52
Taxation	65	14	77	71	34	–93	–214	–4	–50
Minority interests	6		9						16
Net result from continuing operations	276	53	156	121	97	–380	–454	115	–18
Total net result from discontinued operations					31	164		–167	28
Net result	276	53	156	121	127	–216	–454	–52	10

Result on divestments reflects the sale of NN Group’s direct interest in Sul América S.A. and the sale of ING Hipotecaria.

Special items in 2013 is primarily related to the previously announced restructuring programme and additional IT expenses which is partly offset by pension curtailments in the Netherlands.

Reference is made to Note 33 “Discontinued operations” for information on discontinued operations.

Notes to the Consolidated annual accounts of NN Group continued

Segments

2012	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	IM	Other	Japan Closed Block VA	Insurance Other	Total
Investment margin	562		122	10					694
Fees and premium based revenues	508		514	490	430		148		2,092
Technical margin	141		210	23					374
Operating income non-modelled life business			20						20
Life & IM operating income	1,211	0	866	523	430	0	148	0	3,177
Administrative expenses	495		334	130	321		13	22	1,315
DAC amortisation and trail commissions	92		321	197			50		660
Life & IM expenses	587	0	654	328	321	0	64	22	1,976
Life & IM operating result	623	0	212	196	109	0	85	–22	1,202
Non-life operating result		103	7						110
Operating result Other						–399			–399
Operating result	623	103	219	196	109	–399	85	–22	914
Non-operating items:									
– gains/losses and impairments	138	1	–82	4	1	10			70
– revaluations	–296	–15	17	10		–34			–319
– market & other impacts	–530		–1				21		–510
Special items before tax	–225	–140	–38		–6	–43			–451
Result on divestments	–23					–7		80	50
Result before tax from continuing operations	–313	–51	115	209	105	–474	105	59	–245
Taxation	–162	–16	25	69	27	–84	33	–5	–113
Minority interests	12		9						21
Net result from continuing operations	–164	–35	81	140	77	–388	72	64	–153
Total net result from discontinued operations					–212	910		494	1,191
Net result	–164	–35	81	140	–135	523	72	558	1,038

Special items in 2012 includes costs mainly related to the strategic reorganisation measures of approximately EUR 207 million, the separation and IPO preparation of EUR 221 million, which is partly offset by a pension curtailment of EUR 100 million following the new Dutch employee pension scheme announced in 2012.

Reference is made to Note 33 “Discontinued operations” for information on discontinued operations.

Notes to the Consolidated annual accounts of NN Group continued

Segments

2011	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	IM	Other	Japan Closed Block VA	Insurance Other	Total
Investment margin	596		159	2	3				760
Fees and premium based revenues	499		548	437	434		149		2,065
Technical margin	278		206	–4					479
Operating income non-modelled life business	36		9						45
Life & IM operating income	1,409	0	921	434	437	0	149	0	3,350
Administrative expenses	533		353	129	313		9	28	1,364
DAC amortisation and trail commissions	109		307	187			50		652
Life & IM expenses	641	0	659	315	313	0	59	28	2,015
Life & IM operating result	768	0	262	119	124	0	91	–28	1,335
Non-life operating result		186	4						191
Operating result Other						–313			–313
Operating result	768	186	266	119	124	–313	91	–28	1,213
Non-operating items:									
– gains/losses and impairments	193	–45	–599	7	5	6			–433
– revaluations	72	5	–16	1		–39			23
– market & other impacts	–250						47		–202
Special items before tax	–83	–53	–90		–10	22			–214
Result on divestments						–8		92	83
Result before tax from continuing operations	700	93	–439	126	118	–333	138	64	468
Taxation	85	19	–49	–29	34	–95	57	–7	15
Minority interests	4		10						14
Net result from continuing operations	611	75	–400	156	85	–238	81	71	439
Total net result from discontinued operations					24	1,398		–635	787
Net result	611	75	–400	156	109	1,160	81	–564	1,226

Result on divestments in 2011 reflects the results on the sale of IIM Australia and Pacific Antai Life Insurance Company Ltd.

Special items in 2011 includes mainly, an adjustment of the Illiquid Assets Back-up Facility based on higher prepayment behaviour in the underlying Alt-A securities, the result on the repurchase of subordinated loans executed in December 2011 as disclosed in Note 27 “Other income” and Note 14 “Subordinated loans”, and restructuring expenses.

Reference is made to Note 33 “Discontinued operations” for information on discontinued operations.

Interest income and interest expenses breakdown by segments

2013	**Netherlands Life**	**Netherlands Non-life**	**Insurance Europe**	**Japan Life**	**IM**	**Other**	**Japan Closed Block VA**	**Total**
Interest income	**1,995**	**110**	**566**	**146**	**1**	**103**	**334**	**3,255**
Interest expense	**93**		**21**	**2**		**156**	**319**	**591**
	1,902	**110**	**545**	**144**	**1**	**–53**	**15**	**2,664**

Notes to the Consolidated annual accounts of NN Group continued

Interest income and interest expenses breakdown by segments

2012	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	IM	Other	Japan Closed Block VA	Total
Interest income	1,983	122	660	188	4	110	303	3,370
Interest expense	118	1	6	3	2	203	272	605
	1,865	121	654	185	2	–93	31	2,765

Interest income and interest expenses breakdown by segments

2011	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	IM	Other	Japan Closed Block VA	Total
Interest income	2,187	139	689	158	6	19	445	3,643
Interest expense	221	1	7	3	5	115	376	728
	1,966	138	682	155	1	–96	69	2,915

IFRS-EU balance sheets by segment are not reported internally to, and not managed by, the chief operating decision maker.

Total assets and Total liabilities by segment

	2013		2012		2011	
	Total assets	Total liabilities	Total assets	Total liabilities	Total assets	Total liabilities
Netherlands Life	**79,087**	**69,154**	82,098	71,227	82,150	70,048
Netherlands Non-life	**4,426**	**3,692**	4,372	3,818	4,100	3,642
Insurance Europe	**22,004**	**20,175**	24,482	22,486	22,489	20,863
Japan Life	**9,438**	**8,147**	10,998	9,035	10,838	8,971
Investment Management (IM)	**552**	**192**	639	275	775	354
Other	**32,842**	**18,482**	44,740	17,233	51,268	25,616
Japan Closed Block VA	**18,651**	**17,415**	25,518	24,079	26,993	26,006
Assets and liabilities classified as discontinued operations	**630**	**466**	184,451	171,065	183,139	169,770
Total segments	**167,630**	**137,723**	377,298	319,218	381,752	325,270
Eliminations	**–21,872**	**–6,260**	–38,545	–7,105	–46,144	–13,136
Total	**145,758**	**131,463**	338,753	312,113	335,608	312,134

37 INFORMATION ON GEOGRAPHICAL AREAS

NN Group's business lines operate in the following geographical areas: Netherlands, Belgium, Rest of Europe and Asia. The Netherlands is NN Group's country of domicile. Geographical distribution of income is based on the origin of revenue. A geographical area is a distinguishable component of NN Group engaged in providing products and services within a particular economic environment that is subject to risks and returns that are different from those of segment operating in other economic environments. The geographical analyses are based on the location of the office from which the transaction is originated.

Geographical areas

2013	**Netherlands**	**Belgium**	**Rest of Europe**	**Asia**	**Other**	**Eliminations**	**Total**
Total income	**8,140**	**860**	**2,841**	**349**	**36**	**–1,065**	**11,161**
Total assets	**160,552**	**7,843**	**15,178**	**28,089**	**644**	**–66,548**	**145,758**

Geographical areas

2012	Netherlands	Belgium	Rest of Europe	Asia	Other	Eliminations	Total
Total income	8,620	1,099	3,139	1,477	227	–1,545	13,017
Total assets	188,590	8,668	17,103	36,516	188,419	–100,543	338,753

Notes to the Consolidated annual accounts of NN Group continued

Geographical areas							
2011	Nether-lands	Belgium	Rest of Europe	Asia	Other	Elimi-nations	Total
Total income	12,138	1,193	2,989	3,252	247	–3,203	16,616
Total assets	183,471	8,374	16,071	37,830	185,925	–96,063	335,608

38 PENSION AND OTHER POST-EMPLOYMENT BENEFITS

The disclosures below refer to the position as at balance sheet date. Reference is made to Note 55 “Subsequent events” on the Dutch closed defined benefit plan, which represents approximately 95% (based on 2013 plan assets) of the total defined benefit schemes.

Balance sheet

Summary of net defined benefit asset/liability		Pension benefits	
	2013	2012	2011
Fair value of plan assets	**6,457**	7,542	6,644
Defined benefit obligation	**6,125**	7,538	5,803
Net defined benefit asset/(liability) recognised in the balance sheet (Funded status)	**332**	4	841
Presented as:			
– Other assets	**383**	670	1,472
– Other liabilities	**–51**	–666	–631
Closing balance	**332**	4	841

NN Group maintains defined benefit retirement plans in some countries of operation. These plans provide benefits that are related to the remuneration and service of employees upon retirement. The benefits in some of these plans are subject to various forms of indexation. The indexation is either at the discretion of management or dependent upon the sufficiency of plan assets.

NN Group provides other post-employment employee benefits to certain employees and former employees. These are primarily post-employment healthcare benefits and post-employment defined benefit early-retirement plans.

Several Dutch subsidiaries of NN Group participate in the Stichting Pensioenfonds ING, in which also (subsidiaries) of ING Bank N.V. participate. NN Group N.V. and ING Bank N.V. are jointly and severally liable for deficits in the Stichting Pensioenfonds ING if the coverage ratio is below certain levels. The pension liability, assets and related expense are allocated to NN Group N.V. and ING Bank N.V.

The most recent actuarial valuations of the plan assets and the defined benefit obligation were carried out at 31 December 2013. The defined benefit obligation, and the related current service cost and past service cost, were determined using the projected unit credit method.

Changes in fair value of plan assets		Fair value of plan assets	
	2013	2012	2011
Opening balance	**7,542**	6,644	5,813
Interest income	**268**	353	306
Remeasurements: Return on plan assets excluding amounts included in interest income	**–274**	580	482
Employer’s contribution	**250**	236	243
Participants’ contributions	**9**	9	1
Benefits paid	**–218**	–230	–230
Effect of settlement	**–97**		
Changes in the composition of the group and other changes	**–1,017**	–32	–2
Exchange rate differences	**–6**	–18	31
Closing balance	**6,457**	7,542	6,644

Notes to the Consolidated annual accounts of NN Group continued

In 2013, Changes in the composition of the group and other changes includes EUR –1,123 million as a result of the transfer of ING U.S. and nil as a result of the classification to continuing operations of NN Group's business in Japan. Reference is made to Note 53 "Other events". The remainder mainly relates to the transfer of approximately 400 WestlandUtrecht Bank's employees to NN Bank. Reference is made to Note 49 "Companies and businesses acquired and divested".

The actual return on the plan assets amounts to EUR –6 million (2012: EUR 933 million; 2011: EUR 788 million).

No plan assets are expected to be returned to NN Group during 2014.

Changes in defined benefit obligation and other post-employment benefits

	Defined benefit obligation			Other post-employment benefits		
	2013	2012	2011	**2013**	2012	2011
Opening balance	**7,538**	5,803	5,758	**77**	74	69
Current service cost	**122**	102	105	**–7**	7	5
Interest cost	**266**	299	303			
Remeasurements: Actuarial gains and losses arising from changes in demographic assumptions	**2**					
Remeasurements: Actuarial gains and losses arising from changes in financial assumptions	**–112**	1,814	–99			
Benefits paid	**–220**	–232	–250		–4	–4
Past service cost			1			
Changes in the composition of the group and other changes	**–1,354**	–80	–3	**–29**	1	3
Effect of curtailment or settlement	**–100**	–133	–64			
Exchange rate differences	**–17**	–35	52	**–1**	–1	1
Closing balance	**6,125**	7,538	5,803	**40**	77	74

In 2013, Changes in the composition of the group and other changes includes EUR –1,494 million as a result of the transfer of ING U.S. and EUR 45 million as a result of the classification to continuing operations of NN Group's business in Japan. Reference is made to Note 53 "Other events". The remainder mainly relates to the transfer of approximately 400 WestlandUtrecht Bank's employees to NN Bank. Reference is made to Note 49 "Companies and businesses acquired and divested".

2013 – Effect of curtailment

In 2013, "Effect of curtailment or settlement" includes the curtailments of a pension plan in the Netherlands. This plan is closed for new pension rights and is replaced by a defined contribution plan.

2012 – Effect of curtailment – New pension plan for employees in the Netherlands

In 2012, an agreement on a new pension plan for employees in the Netherlands was finalised, following acceptance by both the unions and their members. The new pension plan has taken effect on 1 January 2014. Under the agreement, a new separate pension fund has been created. The new plan qualifies as a defined contribution plan under IFRS-EU and has replaced the existing defined benefit plan in the Netherlands.

The key elements of the new scheme are:

- NN Group contributes a yearly pre-defined premium to the fund. The employee contribution to the new scheme will gradually increase to one-third of the base pension premium;
- The minimum salary level at which pensions are provided will be lowered to EUR 15,000;
- Pension benefit will be based on average wage over period of employment with a 2% annual accrual rate;
- The pension fund, not NN Group, will bear responsibility for funding adequacy; NN Group to pay an additional risk premium;
- Responsibility for inflation indexation will move to the new fund; and
- Standard retirement age will be raised to 67.

At the start of the new defined contribution plan on 1 January 2014, the current defined benefit plan has stopped accruing new pension benefits. Accruals recognised under the defined benefit plan up to that date will remain valid. The change to the new pension plan represents a curtailment under IFRS-EU and has resulted in a release of provisions previously taken by NN Group to cover estimated future liabilities in the existing defined benefit plan that are now no longer required. This release amounted to a one-off gain of EUR 100 million after tax (EUR 133 million before tax). The curtailment was included in Staff expenses in 2012. This curtailment is related to the defined benefit plan in the Netherlands, which represented approximately 75% of the above defined benefit obligation on 31 December 2012.

Notes to the Consolidated annual accounts of NN Group continued

2011 – Effect of curtailment
In 2011, effect of curtailment or settlement related mainly to a curtailment in relation to a change in one of the pension plans in the United States.

Amounts recognised directly in Other comprehensive income (equity) were as follows:

Remeasurement of the net defined benefit asset/liability

	2013	2012	2011
Remeasurement of plan assets	**–274**	580	482
Actuarial gains and losses arising from changes in demographic assumptions	**–2**		
Actuarial gains and losses arising from changes in financial assumptions	**112**	–1,814	99
Changes in the composition of the group and other changes	**170**	2	–14
Taxation	**–48**	322	–137
	–42	–910	430

The cumulative amount of remeasurements recognised directly in Other comprehensive income (equity) is EUR –1,388 million (EUR –1,042 million after tax) as at 31 December 2013 (2012: EUR –1,395 million, EUR –1,000 million after tax; 2011: EUR –163 million, EUR –90 million after tax).

Information on plan assets and defined benefit obligation per country
The defined benefit obligation per country and the plan assets per country can be specified as follows:

Plan assets and defined benefit obligation per country

	Plan assets			Defined benefit obligation		
	2013	2012	2011	2013	2012	2011
The Netherlands	**6,436**	6,482	5,679	**6,053**	5,818	4,202
Belgium	**8**	8	7	**15**	16	13
Other countries	**13**	1,052	958	**57**	1,704	1,588
	6,457	7,542	6,644	**6,125**	7,538	5,803

Determination of the net defined benefit asset/liability
The table provides the key assumptions used in the determination of the Net defined benefit asset/liability and the Other post-employment benefits.

Weighted averages of basic actuarial assumptions in annual % as at 31 December

	Net defined benefit asset/liability			Other post-employment benefits		
	2013	2012	2011	2013	2012	2011
Discount rates	**3.70**	3.80	5.30	**2.80**	2.30	4.10
Mortality rates	**0.80**	0.80	1.00	**0.80**	0.80	1.00
Expected rates of salary increases (excluding promotion increases)	**2.00**	2.50	2.50	**2.00**	2.00	2.00
Indexation	**2.00**	1.90	1.80	**2.00**	2.00	2.00

The assumptions above are weighted by defined benefit obligations. The rates used for salary developments, interest discount factors and other adjustments reflect country-specific conditions.

The discount rate is the weighted average of the discount rates that are applied in different regions where NN Group has defined benefit pension plans. The discount rate is based on a methodology that uses market yields on high quality corporate bonds of the specific regions with durations matching the pension liabilities as key input. Market yields of high quality corporate bonds reflect the yield on corporate bonds with an AA rating for durations where such yields are available. An extrapolation is applied in order to determine the yield to the longer durations for which no AA-rated corporate bonds are available. As a result of the limited availability of long-duration AA-rated corporate bonds, extrapolation is an important element of the determination of the discount rate.

Notes to the Consolidated annual accounts of NN Group continued

The discount rate is approximately 3.7% on 31 December 2013 (2012: 3.8%). As disclosed in the 2012 Annual Accounts, discussions were ongoing, both in the industry and at the IASB, on the definition of the discount rate for defined benefit pension liabilities and NN Group would reconsider the methodology for setting the discount rate if and when appropriate. The discount rate used by NN Group remains based on AA-rated corporate bonds. During 2013, NN Group further refined its methodology to extrapolate the observable AA-rated corporate bond rates to the full duration of the defined benefit pension liability. The refined methodology and the resulting discount rate are more in line with observed market practices. The impact of the refinement of the extrapolation was an increase in the defined benefit obligation as at 31 December 2013 of approximately EUR 1.0 billion (EUR 0.7 billion after tax); this impact was recognised in Other comprehensive income (equity) in 2013. In 2012, the discount rate changed from 5.3% in 2011 to 3.8% in 2012 resulting in an increase of the defined benefit obligation of approximately EUR 2 billion.

On 31 December 2013, the actuarial assumption for Indexation for inflation is 2.0% (1.9% in 2012). This percentage is mainly based on the expected inflation and the best estimate assumption for future indexation in the pension plan in the Netherlands. The best estimate assumption for future indexation was amended in 2013 to reflect the outcome of the arbitration in respect of the 2013 indexation as disclosed in Note 48 “Legal proceedings”.

Sensitivity analysis of key assumptions

The sensitivity analysis of the most significant assumptions has been determined based on changes of the assumptions occurring at the end of the reporting period that are deemed reasonably possible.

The table discloses the financial impact on the defined benefit obligation if the weighted averages of each significant actuarial assumption would increase or decrease if all other assumptions were held constant. In practice, this is unlikely to occur, and some changes of the consumptions may be correlated.

Sensitivity analysis – financial impact of changes in significant actuarial assumptions on the defined benefit obligation

2013	Financial impact of increase	Financial impact of decrease
Discount rates – increase/ decrease of 1%	–280	299
Mortality – increase/ decrease of 1 year	205	–211
Expected rates of salary increases (excluding promotion increases) – increase/ decrease of 0.25%	48	–41
Indexation – increase/ decrease 0.25%	256	–242

Expected cash flows

Annual contributions are paid to the funds at a rate necessary to adequately finance the accrued liabilities of the plans calculated in accordance with local legal requirements. Plans in all countries comply with applicable local regulations governing investments and funding levels. NN Group’s subsidiaries should fund the cost of the entitlements expected to be earned on a yearly basis.

For 2014 the expected contributions to pension plans are EUR 46 million.

The following benefit payments, which reflect expected future service as appropriate, are expected to be made by the plan:

Benefit payments

	Defined benefit obli-gation	Other post-employ-ment benefits
2014	150	2
2015	154	2
2016	162	2
2017	171	2
2018	181	2
Years 2019 – 2023	1,064	12

Notes to the Consolidated annual accounts of NN Group continued

The average duration of the benefit obligation at the end of the reporting period is 20 years (2012: 20 years). This number can be subdivided into the duration related to:

- active members: 26 years (2012: 27 years);
- inactive members: 23 years (2012: 24 years); and
- retired members: 11 years (2012: 11 years).

The Sensitivity analysis of key assumptions and Expected cash flows presented above does not take into consideration the subsequent event that was announced in February 2014 with regard to the transfer of all future funding and indexation obligations under ING's current closed defined benefit plan in the Netherlands to the Dutch ING Pension Fund. Reference is made to Note 55 "Subsequent events" for information on this agreement.

Profit and loss account

Pension and other staff-related benefit costs

	Net defined benefit asset/liability			Other post-employment benefits			Other			Total		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Current service cost	**90**	76	81	**–7**	7	5				**83**	83	86
Past service cost			1							**0**	0	1
Net interest cost	**–26**	–93	–47							**–26**	–93	–47
Effect of curtailment or settlement	**–3**	–133								**–3**	–133	0
Other	**–1**				2	1	**–1**	26	–2	**–2**	28	–1
Defined benefit plans	**60**	–150	35	**–7**	9	6	**–1**	26	–2	**52**	–115	39
Defined contribution plans										**7**	4	
										59	–111	39

Defined contribution plans
Certain group companies sponsor defined contribution pension plans. The assets of all NN Group's defined contribution plans are held in independently administered funds. Contributions are generally determined as a percentage of pay. These plans do not give rise to balance sheet provisions, other than relating to short-term timing differences included in other assets/liabilities.

Additional information on the closed defined benefit plan in the Netherlands
The largest defined benefit plan is in the Netherlands (94% of the total defined benefit obligation). The defined benefit plan is administered by a fund (PFI) that is legally separated from NN Group. The board of the pension fund is required by law or by articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees and the employer. The board of the pension fund is responsible for the investment policy with regard to the assets of the fund, including the asset-liability matching strategies of the plan. The plan in the Netherlands typically exposes NN Group to risks such as: investment risk, interest rate risk and longevity risk. The primary financial objective of the plan in the Netherlands is to secure accumulated participant retirement benefits.

Since the plan will be closed for new pension accruals as of 1 January 2014, no premiums will be paid into the plan. However, ING decides annually whether or not to grant a lump sum payment for indexation of the accrued pensions.

When the coverage ratio (assets divided by liabilities) of the plan is lower than 105% at year end, ING is required to pay the plan an additional contribution in order to increase the coverage ratio to 106.7%. When the coverage ratio of the plan is lower than 110% but higher than 105% at year end, ING is required to pay the plan an additional contribution in accordance with a pre-defined formula. When the coverage ratio is higher than 140%, ING receives a premium reduction in future periods.

In February 2014, ING reached an agreement with the various stakeholders to transfer all future funding and indexation obligations under the current closed defined benefit plan in the Netherlands to the Dutch ING Pension Fund. The agreement will make the Dutch ING Pension Fund financially independent.

This agreement will result in the removal of the net pension asset related to the Dutch defined benefit pension plan from the Consolidated balance sheet. Reference is made to Note 55 "Subsequent events" for information on this agreement.

Notes to the Consolidated annual accounts of NN Group continued

Defined benefit plan in the Netherlands – Major categories of plan assets

	Fair value of plan assets								
	Quoted price			Other			Total		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Investment portfolio of the pension fund									
Debt securities (fixed income investments):									
– Governments bonds	**2,985**	2,652	2,174				**2,985**	2,652	2,174
– Corporate bonds	**461**	462	440				**461**	462	440
– Other bonds (developing markets)	**298**	379	283				**298**	379	283
Total fixed income investments	**3,744**	3,493	2,897	**0**	0	0	**3,744**	3,493	2,897
Equity security investments:									
– Equity securities in developed markets	**1,144**	1,066	1,313				**1,144**	1,066	1,313
– Equity securities in developing markets	**334**	370					**334**	370	0
Total equity security investments	**1,478**	1,436	1,313	**0**	0	0	**1,478**	1,436	1,313
Real estate investments:									
– Listed	**55**	66	55				**55**	66	55
– Not listed				**277**	282	269	**277**	282	269
Total real estate investments	**55**	66	55	**277**	282	269	**332**	348	324
Alternative investments:									
– Private equity				**115**	104	81	**115**	104	81
– Hedge funds				**56**	51	88	**56**	51	88
– Commodities					65	94		65	94
Total alternative investments	**0**	0	0	**171**	220	263	**171**	220	263
Other assets and liabilities (accrued interest)				**84**	28	38	**84**	28	38
Derivatives (1)	**181**	442	427				**181**	442	427
Cash and cash equivalents				**145**	47	19	**145**	47	19
Total Assets of the pension fund	**5,458**	5,437	4,692	**677**	577	589	**6,135**	6,014	5,281

(1) Derivatives are presented net.

The table above relates to the defined benefit pension plan in the Netherlands that is closed for new pension rights as of 1 January 2014.

At 31 December 2013 the defined benefit plan in the Netherlands did not hold any investments in ING Group At 31 December 2012 Debt securities included EUR 44 million (0.20% of total plan assets) of investments in ING Group and at 31 December 2011 Debt securities included EUR 14 million (0.20% of total plan assets).

Notes to the Consolidated annual accounts of NN Group continued

39 TAXATION

Changes in deferred tax

	Net liability 2012 [1]	Change through equity	Change through net result	Changes in the composition of the group and other changes	Exchange rate differences	Net liability 2013 [1]
Investments	3,105	–1,775	–711	334	–16	937
Real estate investments	347		–22	–42		283
Financial assets and liabilities at fair value through profit or loss	–26			9		–17
Deferred acquisition costs and VOBA	1,351	339	–332	–893	–153	312
Depreciation	–4		–2	1		–5
Insurance provisions	–3,986	692	1,133	821	25	–1,315
Cash flow hedges	1,183	–279		15		919
Pension and post-employment benefits	–222	48	52	240	7	125
Other provisions	38		2	2		42
Receivables	–39		3	9	–3	–30
Loans and advances to customers	16		–3	–12		1
Unused tax losses carried forward	–682		161	–16	2	–535
Other	63	–46	–10	–98	25	–66
	1,144	–1,021	271	370	–113	651
Presented in the balance sheet as:						
– deferred tax liabilities	1,220					702
– deferred tax assets	–76					–51
	1,144					651

[1] + = liabilities, – = assets

In 2013, Changes in the composition of the group and other changes includes EUR 158 million as a result of the transfer of ING U.S. and EUR 551 million as a result of the classification to continuing operations of NN Group’s business in Japan. Reference is made to Note 53 “Other events”.

Notes to the Consolidated annual accounts of NN Group continued

Changes in deferred tax

	Net liability 2011 [1]	Change through equity	Change through net result	Changes in the composition of the group and other changes	Exchange rate differences	Net liability 2012 [1]
Investments	1,736	1,978	–79	–480	–50	3,105
Real estate investments	378		–23	–8		347
Financial assets and liabilities at fair value through profit or loss	–20			–5	–1	–26
Deferred acquisition costs and VOBA	2,731	–147	166	–1,301	–98	1,351
Depreciation			–4			–4
Insurance provisions	–3,350	–803	–293	408	52	–3,986
Cash flow hedges	955	235		–7		1,183
Pension and post-employment benefits	18	–320	31	39	10	–222
Other provisions	–161		317	–134	16	38
Receivables	–31		1	–8	–1	–39
Loans and advances to customers	14		–2	3	1	16
Unused tax losses carried forward	–674		–48	36	4	–682
Other	61	9	–135	111	17	63
	1,657	952	–69	–1,346	–50	1,144
Presented in the balance sheet as:						
– deferred tax liabilities	1,843					1,220
– deferred tax assets	–186					–76
	1,657					1,144

[1] + = liabilities, – = assets

In 2012, "Changes in the composition of the group and other changes" related mainly to the classification of the insurance and investment management businesses in Asia as a disposal group held for sale. Reference is made to Note 11 "Assets and liabilities held for sale".

Changes in deferred tax

	Net liability 2010 [1]	Change through equity	Change through net result	Changes in the composition of the group and other changes	Exchange rate differences	Net liability 2011 [1]
Investments	–13	1,267	469	–62	75	1,736
Real estate investments	383		–10	5		378
Financial assets and liabilities at fair value through profit or loss	24		–13	–30	–1	–20
Deferred acquisition costs and VOBA	3,111	–272	–194	–45	131	2,731
Fiscal equalisation reserve	1		–1			0
Depreciation	–2		2			0
Insurance provisions	–1,866	–572	–773	–9	–130	–3,350
Cash flow hedges	485	468			2	955
Pension and post-employment benefits	83	137	31	–218	–15	18
Other provisions	–597		423	3	10	–161
Receivables	–28			–4	1	–31
Loans and advances to customers	11		4		–1	14
Unused tax losses carried forward	–670		20	–15	–9	–674
Other	96		–24	5	–16	61
	1,018	1,028	–66	–370	47	1,657
Presented in the balance sheet as:						
– deferred tax liabilities	1,197					1,843
– deferred tax assets	–179					–186
	1,018					1,657

[1] + = liabilities, – = assets

Notes to the Consolidated annual accounts of NN Group continued

Deferred tax in connection with unused tax losses carried forward

	2013	2012	2011
Total unused tax losses carried forward	**2,313**	4,753	5,919
Unused tax losses carried forward not recognised as a deferred tax asset	**–165**	–2,231	–3,647
Unused tax losses carried forward recognised as a deferred tax asset	**2,148**	2,522	2,272
Average tax rate	**24.9%**	27.0%	29.7%
Deferred tax asset	**535**	682	674

The following tax losses carried forward and tax credits will expire as follows as at 31 December:

Total unused tax losses carried forward analysed by expiry terms

	No deferred tax asset recognised			Deferred tax asset recognised		
	2013	2012	2011	2013	2012	2011
Within 1 year	**1**	19	11	**11**	15	40
More than 1 year but less than 5 years	**123**	132	229	**9**	166	404
More than 5 years but less than 10 years	**27**	111	507	**1,313**	2,113	1,075
More than 10 years but less than 20 years		1,969	2,885	**295**		192
Unlimited	**14**		15	**520**	228	561
	165	2,231	3,647	**2,148**	2,522	2,272

Deferred tax assets are recognised for temporary deductible differences, for tax losses carried forward and unused tax credits only to the extent that realisation of the related tax benefit is probable.

The deferred tax asset includes balances for which the utilisation is dependent on future taxable profits whilst the related entities have incurred losses in either the current year or the preceding year. The aggregate amount for the most significant entities to which this applies is EUR 94 million (2012: EUR 129 million; 2011: EUR 209 million).

This can be specified by jurisdiction as follows:

Breakdown by jurisdiction

	2013	2012	2011
United States			120
Belgium	**39**	73	70
Spain	**55**	56	19
	94	129	209

Recognition is based on the fact that it is probable that the entity will have taxable profits and /or can utilise tax planning opportunities before expiration of the deferred tax assets. Changes in circumstances in future periods may adversely impact the assessment of the recoverability. The uncertainty of the recoverability is taken into account in establishing the deferred tax assets.

As at 31 December 2013, 31 December 2012 and 31 December 2011, NN Group had no significant temporary differences associated with the parent company's investments in subsidiaries, branches and associates and interest in joint ventures as any economic benefit from those investments will not be taxable at parent company level.

Profit and loss account

Taxation on continuing operations by type

	Netherlands			International			Total		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Current tax	**64**	–99	31	**–21**	111	69	**43**	12	100
Deferred tax	**–168**	–135	–38	**75**	10	–47	**–93**	–125	–85
	–104	–234	–7	**54**	121	22	**–50**	–113	15

Notes to the Consolidated annual accounts of NN Group continued

The 2013 taxation in the Netherlands changed with EUR 130 million to EUR –104 million from EUR –234 million in the previous year mainly caused by higher result before tax compared with 2012. Also, the higher result before tax in 2013 was comprised of lower non-taxable profit items compared with 2012.

Reconciliation of the weighted average statutory income tax rate to NN Group's effective income tax rate

	2013	2012	2011
Result before tax from continuing operations	**–52**	–245	468
Weighted average statutory tax rate	**45.6%**	–22.1%	23.9%
Weighted average statutory tax amount	**–24**	54	112
Associates exemption	**–89**	–161	–121
Other income not subject to tax	**–31**	–34	–34
Expenses not deductible for tax purposes	**41**	32	46
Impact on deferred tax from change in tax rates	**22**	11	2
Deferred tax benefit from previously unrecognised amounts	**–2**	–6	
Current tax benefit from previously unrecognised amounts		–7	
Write-off/reversal of deferred tax assets	**6**		
Adjustments to prior periods	**27**	–2	10
Effective tax amount	**–50**	–113	15
Effective tax rate	**98.1%**	46,7%	3,2%

The weighted average statutory tax rate in 2013 differs significantly compared with 2012. This is mainly a result of the composition of the result before tax from continuing operations in 2013 and 2012.

The weighted average statutory tax rate in 2012 differs significantly from 2011. This is mainly a result of the composition of the result before tax from continuing operations in 2012 and 2011. In 2012 relatively more profits were taxable in countries with high rates while relatively more losses were incurred in countries with lower tax rates.

The effective tax rate in 2013 was higher (favourable in a tax loss situation) than the weighted average statutory tax rate. This is mainly caused by non-taxable income which is only partly offset by non-deductible expenses, tax rate changes and prior year adjustments.

The effective tax rate in 2012 was higher (favourable in a tax loss situation) than the negative weighted average statutory tax rate. This is mainly caused by non-taxable income which is only partly offset by non-deductible expenses.

The effective tax rate in 2011 was lower than the weighted average statutory tax rate. This was mainly caused by exempt income which is only partly offset by non-deductible expenses.

Adjustment to prior periods in 2013 relates to a true up of the tax position in the Netherlands.

Adjustment to prior periods in 2011 related mainly to final tax assessments.

Comprehensive income

Income tax related to components of other comprehensive income

	2013	2012	2011
Remeasurement of the net defined benefit asset/liability	**–48**	322	–137
Unrealised revaluations property in own use		4	
Unrealised revaluations available-for-sale investments and other	**1,648**	–1,904	–1,148
Realised gains/losses transferred to profit and loss (reclassifications from equity to profit and loss)	**17**	–36	–102
Changes in cash flow hedge reserve	**275**	–236	–467
Transfer to insurance liabilities/DAC	**–879**	911	847
Exchange rate differences and other changes		–82	–1
Total income tax related to components of other comprehensive income	**1,013**	–1,021	–1,008

Notes to the Consolidated annual accounts of NN Group continued

40 FAIR VALUE OF ASSETS AND LIABILITIES

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		
	2013	2012	2011	**2013**	2012	2011
Financial assets						
Cash and cash equivalents	**7,155**	5,389	11,577	**7,155**	5,389	11,577
Financial assets at fair value through profit or loss:						
– trading assets	**736**	586	534	**736**	586	534
– investments for risk of policyholders	**39,589**	98,765	116,438	**39,589**	98,765	116,438
– non-trading derivatives	**3,126**	5,107	7,285	**3,126**	5,107	7,285
– designated as at fair value through profit or loss	**482**	2,000	2,616	**482**	2,000	2,616
Available-for-sale investments	**61,014**	119,305	133,604	**61,014**	119,305	133,604
Loans and advances to customers	**26,114**	26,873	33,385	**25,319**	25,823	32,928
Other assets [(1)]	**3,180**	6,177	7,819	**3,180**	6,177	7,819
	141,396	264,202	313,258	**140,601**	263,152	312,801
Financial liabilities						
Subordinated loans	**2,928**	2,894	4,098	**2,892**	2,947	4,367
Debt securities in issue		2,082	3,480		1,910	3,436
Other borrowed funds	**4,817**	7,458	7,312	**4,817**	7,442	7,307
Investment contracts for risk of company	**795**	4,624	6,717	**810**	4,561	6,259
Investment contracts for risk of policyholders	**1,588**	8,067	6,939	**1,588**	8,067	6,939
Customer deposits and other funds on deposit	**5,764**			**5,769**		
Financial liabilities at fair value through profit or loss:						
– non-trading derivatives	**1,843**	3,258	4,404	**1,843**	3,258	4,404
Other liabilities [(2)]	**2,701**	8,133	10,324	**2,701**	8,133	10,324
	20,436	36,516	43,274	**20,420**	36,318	43,036

(1) Other assets does not include (deferred) tax assets, net defined benefit assets and property development and obtained from foreclosures.
(2) Other liabilities does not include (deferred) tax liabilities, net defined benefit liabilities, insurance provisions, other provisions and other taxation and social security contributions.

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. These techniques are subjective in nature and involve various assumptions about the relevant pricing factors, especially for inputs that are not readily available in the market (such as credit spreads for own-originated loans and advances to customers). Changes in these assumptions could significantly affect the estimated fair value. Consequently, 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.

Notes to the Consolidated annual accounts of NN Group continued

The following methods and assumptions were used by NN Group to estimate the fair value of the financial instruments:

Financial assets
Cash and cash equivalents
Cash and cash equivalents are recorded at their nominal value that approximates its fair value.

Financial assets at fair value through profit or loss and Available-for-sale Investments
Derivatives
Derivative contracts can either be exchange-traded or over the counter (OTC). The fair value of exchange-traded derivatives is determined using quoted market prices in an active market and those derivatives are classified in Level 1 of the fair value hierarchy. For those instruments not actively traded, the fair value is estimated based on valuation techniques. OTC derivatives and derivatives trading in an inactive market are valued using valuation techniques because quoted market prices in an active market are not available for such instruments. The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instruments. The principal techniques used to value these instruments are based on discounted cash flows, Black-Scholes option models and Monte Carlo simulation. These valuation models calculate the present value of expected future cash flows, based on “no arbitrage” principles. These models are commonly used in the financial industry. Inputs to valuation models are determined from observable market data where possible. Certain inputs may not be observable in the market directly, but can be determined from observable prices via valuation model calibration procedures. The inputs used include prices available from exchanges, dealers, brokers or providers of pricing, yield curves, credit spreads, default rates, recovery rates, dividend rates, volatility of underlying interest rates, equity prices and foreign currency exchange rates. These inputs are determined with reference to quoted prices, recently executed trades, independent market quotes and consensus data, where available.

Equity securities
The fair value of publicly traded equity securities is based on quoted market prices when available. Where no quoted market prices are available, fair value is determined based on quoted prices for similar securities or other valuation techniques. The fair value of private equity is based on quoted market prices, if available. In the absence of quoted prices in an active market, fair value is estimated on the basis of an analysis of the investee’s financial position and results, risk profile, prospects, price, earnings comparisons and revenue multiples and by reference to market valuations for similar entities quoted in an active market.

Debt securities
The fair value for debt securities is based on quoted market prices, where available. Quoted market prices may be obtained from an exchange, dealer, broker, industry group, pricing service or regulatory service. If quoted prices in an active market are not available, fair value is based on an analysis of available market inputs, which may include values obtained from one or more pricing services or by a valuation technique that discounts expected future cash flows using market interest rate curves, referenced credit spreads, maturity of the investment and estimated prepayment rates where applicable.

Loans and receivables
Reference is made to Loans and advances to customers below.

Loans and advances to customers
For loans and advances that are repriced frequently and have had no significant changes in credit risk, carrying amounts represent a reasonable estimate of the fair value. The fair value of other loans is estimated by discounting expected future cash flows using interest rates offered for similar loans to borrowers with similar credit ratings.

The fair value of mortgage loans is estimated by taking into account prepayment behaviour and discounting future cash flows using interest rates currently being offered for similar loans to borrowers with similar credit ratings. The fair value of fixed rate policy loans is estimated by discounting cash flows at the interest rates charged on policy loans of similar policies currently being issued. Loans with similar characteristics are aggregated for calculations purposes. The book values of variable rate policy loans approximate their fair value.

Other assets
The other assets are stated at their carrying value which is not significantly different from their fair value.

Financial Liabilities
Subordinated loans
The fair value of the subordinated loans is estimated using discounted cash flows based on interest rates and credit spreads that apply to similar instruments.

Notes to the Consolidated annual accounts of NN Group continued

Investment contracts
For investment contracts for risk of the company the fair value have been estimated using a discounted cash flow approach based on interest rates currently being offered for similar contracts with maturities consistent with those remaining for the contracts being valued. For investment contracts for risk of policyholders the fair value generally equals the fair value of the underlying assets. For other investment-type contracts, the fair value is estimated based on the cash surrender values.

Financial liabilities at fair value through profit or loss
The fair value of securities in the trading portfolio and other liabilities at fair value through profit or loss is based on quoted market prices, where available. For those securities not actively traded, fair value is estimated based on internal discounted cash flow valuation techniques using interest rates and credit spreads that apply to similar instruments. Reference is made to Financial assets at fair value through profit or loss above.

Debt securities in issue and other borrowed funds
The fair value of debt securities in issue and other borrowed funds is generally based on quoted market prices or, if not available, on estimated prices by discounting expected future cash flows using a current market interest rate and credit spreads applicable to the yield, credit quality and maturity.

Other liabilities
The other liabilities are stated at their carrying value which is not significantly different from their fair value.

Fair value hierarchy
NN Group has categorised its financial instruments that are either measured in the balance sheet at fair value or of which the fair value is disclosed, into a three level hierarchy based on the priority of the inputs to the valuation. The fair value hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to valuation techniques supported by unobservable inputs. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide reliable pricing information on an ongoing basis.

The fair value hierarchy consists of three levels, depending on whether the fair value is determined based on (unadjusted) quoted prices in an active market (Level 1), valuation techniques with observable inputs (Level 2) or valuation techniques that incorporate inputs which are unobservable and which have a more than insignificant impact on the fair value of the instrument (Level 3). Financial assets in Level 3 include, for example, illiquid debt securities, complex OTC and credit derivatives, certain complex loans (for which current market information about similar assets to use as observable, corroborated data for all significant inputs into a valuation model is not available), private equity instruments and investments in real estate funds.

Observable inputs reflect market data obtained from independent sources. Unobservable inputs are inputs which are based on NN Group’s own assumptions about the factors that market participants would use in pricing an asset or liability, developed based on the best information available in the circumstances. Unobservable inputs may include volatility, correlation, spreads to discount rates, default- and recovery rates, prepayment rates and certain credit spreads. Transfers into and transfers out of levels in the fair value hierarchy are recognised on the date of the event or change of circumstances that caused the transfer.

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 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.

Notes to the Consolidated annual accounts of NN Group continued

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 to occur can be derived.

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

2013	Level 1	Level 2	Level 3	Total
Financial assets				
Trading assets	13	3	720	736
Investments for risk of policyholders	38,228	1,113	248	39,589
Non-trading derivatives	3	3,123		3,126
Financial assets designated as at fair value through profit or loss	450	32		482
Available-for-sale investments	47,916	10,989	2,109	61,014
	86,610	15,260	3,077	104,947
Financial liabilities				
Non-trading derivatives	114	1,729		1,843
Investment contracts (for contracts at fair value)	1,588			1,588
	1,702	1,729	0	3,431

Main changes in fair value hierarchy in 2013
There were no significant transfers between Level 1 and 2.

The decrease in Available-for-sale investments (level 2) and in level 3 financial liabilities reflects the transfer of ING U.S. Reference is made to Note 53 "Other events".

Methods applied in determining the fair value of financial assets and liabilities

2012	Level 1	Level 2	Level 3	Total
Financial assets				
Trading assets	43	24	519	586
Investments for risk of policyholders	92,632	5,983	150	98,765
Non-trading derivatives	19	5,031	57	5,107
Financial assets designated as at fair value through profit or loss	70	1,037	893	2,000
Available-for-sale investments	59,737	56,671	2,897	119,305
	152,501	68,746	4,516	225,763
Financial liabilities				
Non-trading derivatives	171	1,901	1,186	3,258
Investment contracts (for contracts at fair value)	3,716	4,339	12	8,067
	3,887	6,240	1,198	11,325

Main changes in fair value hierarchy in 2012
There were no significant transfers between Level 1 and 2.

Notes to the Consolidated annual accounts of NN Group continued

Methods applied in determining the fair value of financial assets and liabilities

2011	Level 1	Level 2	Level 3	Total
Financial assets				
Trading assets	47	84	403	534
Investments for risk of policyholders	111,203	5,094	141	116,438
Non-trading derivatives	1,430	5,690	165	7,285
Financial assets designated as at fair value through profit or loss	43	1,150	1,423	2,616
Available-for-sale investments	71,327	58,804	3,473	133,604
	184,050	70,822	5,605	260,477
Financial liabilities				
Non-trading derivatives	1,017	2,071	1,316	4,404
Investment contracts (for contracts at fair value)	3,279	3,648	12	6,939
	4,296	5,719	1,328	11,343

Main changes in fair value hierarchy in 2011

The classification was impacted in 2011 by a transfer of available-for-sale investments of EUR 2.0 billion from Level 3 to Level 2, relating to mortgage backed securities in the United States. Previously these were classified in Level 3 because of the dispersion between prices obtained for the same security from different price sources. In 2011 prices supported by market observable inputs became available and were used in determining the fair value.

There were no significant transfers between Level 1 and 2.

Level 3 Financial assets and liabilities

Financial assets measured at fair value in the balance sheet as at 31 December 2013 of EUR 104.9 billion include an amount of EUR 3.1 billion (3.0%) that is classified as Level 3 (31 December 2012: EUR 4.5 billion (2.0%); 31 December 2011: EUR 5.6 billion (2.1%). Changes in Level 3 are disclosed below in the table “Changes in Level 3 Assets”.

Financial assets and liabilities in Level 3 include both assets and liabilities for which the fair value was determined using valuation techniques that incorporate unobservable inputs and assets and liabilities for which the fair value was determined using quoted prices, but for which the market was not actively trading at or around the balance sheet date. Unobservable inputs are inputs which are based on NN Group’s own assumptions about the factors that market participants would use in pricing an asset or liability, developed based on the best information available in the circumstances. Unobservable inputs may include volatility, correlation, spreads to discount rates, default rates and recovery rates, prepayment rates and certain credit spreads. Fair values that are determined using valuation techniques using unobservable inputs are sensitive to the inputs used. Fair values that are determined using quoted prices are not sensitive to unobservable inputs, as the valuation is based on unadjusted external price quotes. These are classified in Level 3 as a result of the illiquidity in the relevant market, but are not significantly sensitive to NN Group’s own unobservable inputs.

Of the total amount of financial assets classified as Level 3 as at 31 December 2013 of EUR 3.1 billion, an amount of EUR 2.4 billion is based on unadjusted quoted prices in inactive markets. This includes for example debt securities and shares in real estate investment funds and private equity investment funds for which the fair value is determined using quoted prices for the securities or quoted prices obtained from the asset managers of the funds. As ING does generally not adjust quoted prices using its own inputs, there is no significant sensitivity to ING’s own unobservable inputs.

The remaining EUR 0.7 billion Level 3 financial assets are private equity investments that are recognised at fair value. Fair value is determined using both market-based and investment-specific inputs. In the absence of an active market, fair values are estimated on the basis of the analysis of the invested companies’ financial position, future prospects and other factors, considering valuations of similar positions and other market information. Given the bespoke nature of the analysis in respect of most significant positions, it is not practical to quote a range of key unobservable inputs or provide a sensitivity analysis on such unobservable inputs.

Notes to the Consolidated annual accounts of NN Group continued

Changes in Level 3 Financial assets

2013	Trading assets	Investment for risk of policyholders	Non-trading derivatives	Financial assets designated as at fair value through profit or loss	Available-for-sale investments	Total
Opening balance	519	150	57	893	2,897	4,516
Amounts recognised in the profit and loss account during the year	85	9	20	111	–114	111
Revaluation recognised in equity during the year					–44	–44
Purchase of assets	27	154	15	49	329	574
Sale of assets	–64	–52	–36	–124	–144	–420
Maturity/settlement				–67	–138	–205
Transfers into Level 3	27	2			81	110
Transfers out of Level 3	–20	–9			–64	–93
Changes in the composition of the group and other changes	146	–6	–56	–901	–690	–1,507
Exchange rate differences				39	–4	35
Closing balance	720	248	0	0	2,109	3,077

In 2013, Changes in the composition of the group and other changes includes EUR –1,654 million as a result of the transfer of ING U.S. and nil as a result of the classification to continuing operations of NN Group's business in Japan. Reference is made to Note 53 "Other events".

Changes in Level 3 Financial assets

2012	Trading assets	Investment for risk of policyholders	Non-trading derivatives	Financial assets designated as at fair value through profit or loss	Available-for-sale investments	Total
Opening balance	403	141	165	1,423	3,473	5,605
Amounts recognised in the profit and loss account during the year	43	2	–91	–56	–74	–176
Revaluation recognised in equity during the year					–16	–16
Purchase of assets	6	83	19	123	218	449
Sale of assets	–4	–15	–11	–664	–80	–774
Maturity/settlement					–360	–360
Transfers into Level 3	107	67			199	373
Transfers out of Level 3	–39	–6	–23		–201	–269
Changes in the composition of the group and other changes	3	–116		84	–244	–273
Exchange rate differences		–6	–2	–17	–18	–43
Closing balance	519	150	57	893	2,897	4,516

Notes to the Consolidated annual accounts of NN Group continued

Changes in Level 3 Financial assets

2011	Trading assets	Investment for risk of policyholders	Non-trading derivatives	Financial assets designated as at fair value through profit or loss	Available-for-sale investments	Total
Opening balance	464	136	145	1,293	3,506	5,544
Amounts recognised in the profit and loss account during the year	–20		53	38	–117	–46
Revaluation recognised in equity during the year					48	48
Purchase of assets	35	123	41	208	517	924
Sale of assets	–21	–99	–82	–184	–261	–647
Maturity/settlement					–405	–405
Transfers into Level 3		4			729	733
Transfers out of Level 3	–55	–6			–2,045	–2,106
Changes in the composition of the group and other changes				9	1,537	1,546
Exchange rate differences		–17	8	59	–36	14
Closing balance	403	141	165	1,423	3,473	5,605

Changes in the composition of the group and other changes includes the increase of the Level 3 assets in relation to shares in real estate investment funds; this increase includes mainly the reclassification of associates to available-for-sale investments as disclosed in Note 6 “Investments in associates”, as well as the reclassification of equity securities in certain real estate companies into Level 3.

Transfers into Level 3 includes certain bonds which were transferred to Level 3 in 2011 as a result of reduced market liquidity and/or pricing sources that could no longer be classified as market observable.

Changes in Level 3 Financial liabilities

2013	**Non-trading derivatives**	**Investment contracts (for contracts at fair value)**	**Total**
Opening balance	**1,186**	**12**	**1,198**
Amounts recognised in the profit and loss account during the year	**65**		**65**
Issue of liabilities		**7**	**7**
Early repayment of liabilities		**–8**	**–8**
Transfers into Level 3		**2**	**2**
Transfers out of Level 3		**–8**	**–8**
Changes in the composition of the group and other changes	**–1,244**	**–5**	**–1,249**
Exchange rate differences	**–7**		**–7**
Closing balance	**0**	**0**	**0**

In 2013, Changes in the composition of the group and other changes includes EUR –1,250 million as a result of the transfer of ING U.S. and nil as a result of the classification to continuing operations of NN Group’s business in Japan. Reference is made to Note 53 “Other events”.

Notes to the Consolidated annual accounts of NN Group continued

Changes in Level 3 Financial liabilities

2012	Non-trading derivatives	Investment contracts (for contracts at fair value)	Total
Opening balance	1,316	12	1,328
Amounts recognised in the profit and loss account during the year	–54		–54
Issue of liabilities	–1	12	11
Early repayment of liabilities	–34	–6	–40
Transfers out of Level 3	–19	–6	–25
Exchange rate differences	–22		–22
Closing balance	1,186	12	1,198

Changes in Level 3 Financial liabilities

2011	Non-trading derivatives	Investment contracts (for contracts at fair value)	Total
Opening balance	1,142	17	1,159
Amounts recognised in the profit and loss account during the year	128		128
Issue of liabilities		7	7
Early repayment of liabilities	–2	–3	–5
Transfers out of Level 3		–9	–9
Changes in the composition of the group and other changes	–16		–16
Exchange rate differences	64		64
Closing balance	1,316	12	1,328

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

2013	**Held at balance sheet date**	**Derecognised during the year**	**Total**
Financial assets			
Trading assets	**97**	**–12**	**85**
Investments for risk of policyholders	**11**	**–2**	**9**
Non-trading derivatives	**–9**	**29**	**20**
Financial assets designated as at fair value through profit or loss	**23**	**88**	**111**
Available-for-sale investments	**–116**	**2**	**–114**
	6	**105**	**111**
Financial liabilities			
Non-trading derivatives	**65**		**65**
	65	**0**	**65**

Notes to the Consolidated annual accounts of NN Group continued

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

2012	Held at balance sheet date	Derecog-nised during the year	Total
Financial assets			
Trading assets	42	1	43
Investments for risk of policyholders	3	–1	2
Non-trading derivatives	–97	6	–91
Financial assets designated as at fair value through profit or loss	–14	–42	–56
Available-for-sale investments	–82	8	–74
	–148	–28	–176
Financial liabilities			
Non-trading derivatives	–58	4	–54
	–58	4	–54

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

2011	Held at balance sheet date	Derecog-nised during the year	Total
Financial assets			
Trading assets	–21	1	–20
Non-trading derivatives	50	3	53
Financial assets designated as at fair value through profit or loss	38		38
Available-for-sale investments	–35	–82	–117
	32	–78	–46
Financial liabilities			
Non-trading derivatives	139	–11	128
	139	–11	128

Recognition of unrealised gains and losses in Level 3
Unrealised gains and losses that relate to Level 3 financial assets and liabilities are included in the profit and loss account as follows:

- those relating to trading assets and trading liabilities are included in Net trading income;
- those relating to investments for risk of policyholders are included in Underwriting expenditure;
- those relating to non-trading derivatives are included in Valuation results on non-trading derivatives; and
- those relating to financial assets and liabilities designated as at fair value through profit or loss are included in Valuation results on non-trading derivatives – Valuation results on assets and liabilities designated as at fair value through profit or loss (excluding trading).

Unrealised gains and losses that relate to Available-for-sale investments are recognised in Other comprehensive income and included in Reserves in the line Unrealised revaluations available-for-sale investments.

Fair value of the financial instruments carried at amortised cost
The fair value of the financial instruments carried at amortised cost in the balance sheet (where fair value are disclosed) were determined as follows:

Notes to the Consolidated annual accounts of NN Group continued

Methods applied in determining the fair value of financial assets and liabilities

2013	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and cash equivalents	7,155			7,155
Loans and advances to customers	9	1,893	24,212	26,114
	7,164	1,893	24,212	33,269
Financial liabilities				
Subordinated loans			2,928	2,928
Other borrowed funds	456	2,632	1,729	4,817
Investment contracts for risk of company	20		775	795
Investment contracts for risk of policyholders	1,588			1,588
Customer deposits and other funds on deposit		5,764		5,764
	2,064	8,396	5,432	15,892

Asset backed security portfolio

Fair value hierarchy of certain ABS bonds

2013	Level 1	Level 2	Level 3	Total
US Alt-A RMBS		5		5
CDO/CLOs			39	39
CMBS			11	11
Total certain ABS	0	5	50	55

Fair value hierarchy of certain ABS bonds

2012	Level 1	Level 2	Level 3	Total
US Subprime RMBS		733		733
US Alt-A RMBS		284		284
CDO/CLOs			129	129
CMBS		3,750		3,750
Total certain ABS	0	4,767	129	4,896

Fair value hierarchy of certain ABS bonds

2011	Level 1	Level 2	Level 3	Total
US Subprime RMBS		752		752
US Alt-A RMBS		293	2	295
CDO/CLOs		30	153	183
CMBS		4,139	5	4,144
Total certain ABS	0	5,214	160	5,374

Greece, Italy, Ireland, Portugal and Spain

Of the Government and Unsecured Financial institutions' bond exposure in Greece, Italy, Ireland, Portugal and Spain as disclosed in Note 4 "Available-for-sale investments", EUR 2.7 billion (2012: EUR 2.6 billion; 2011: EUR 2.6 billion) is classified as available-for-sale and is measured at fair value (with the revaluation recognised in equity, taking into account impairments that are recognised in the profit and loss account). The table below provides the fair value hierarchy for the Greek, Italian, Irish, Portuguese and Spanish Government and Unsecured Financial institutions' bond exposure measured at fair value.

Notes to the Consolidated annual accounts of NN Group continued

Fair value hierarchy of Greek, Italian, Irish, Portuguese and Spanish bonds at fair value

2013	Level 1	Level 2	Level 3	Total
Greece				
Government bonds available-for-sale	105			105
Italy				
Government bonds available-for-sale	1,391			1,391
Financial institutions available-for-sale	55			55
Ireland				
Government bonds available-for-sale	59			59
Portugal				
Government bonds available-for-sale	4			4
Financial institutions available-for-sale		27		27
Spain				
Government bonds available-for-sale	1,012			1,012
Financial institutions available-for-sale	22	57		79
Total	2,648	84	0	2,732

Fair value hierarchy of Greek, Italian, Irish, Portuguese and Spanish bonds at fair value

2012	Level 1	Level 2	Level 3	Total
Greece				
Government bonds available-for-sale	76			76
Italy				
Government bonds available-for-sale	1,347	30		1,377
Financial institutions available-for-sale	51			51
Ireland				
Government bonds available-for-sale	55			55
Financial institutions available-for-sale	15			15
Portugal				
Government bonds available-for-sale	7			7
Financial institutions available-for-sale	18	22		40
Spain				
Government bonds available–for-sale	872			872
Financial institutions available-for-sale	96			96
Total	2,537	52	0	2,589

Classification of bonds in Level 2 is mainly a result of low trading liquidity in the relevant markets.

Fair value hierarchy of Greek, Italian, Irish, Portuguese and Spanish bonds at fair value

2011	Level 1	Level 2	Level 3	Total
Greece				
Government bonds available-for-sale		104		104
Italy				
Government bonds available-for-sale	1,207			1,207
Financial institutions available-for-sale	83			83
Ireland				
Government bonds available-for-sale	43			43
Financial institutions available-for-sale	15			15
Portugal				
Government bonds available-for-sale	95			95
Financial institutions available-for-sale	30	17		47
Spain				
Government bonds available–for-sale	866			866
Financial institutions available-for-sale	163			163
Total	2,502	121	0	2,623

Notes to the Consolidated annual accounts of NN Group continued

NON-FINANCIAL ASSETS AND LIABILITIES

In addition to financial assets and liabilities, the following table presents the estimated fair value of NN Group's non-financial assets and liabilities that are measured at fair value in the balance sheet. Reference is made to Note 1 "Accounting policies" in the sections "Real estate investments" and "Property in own use" for the methods and assumptions used by NN Group to estimate the fair value of the non-financial assets.

Fair value of non-financial assets

2013	Esti-mated fair value	Balance sheet value
Real estate investments	764	764
Property in own use	100	100
	864	864

The fair value of the non-financial assets were determined as follows:

Methods applied in determining the fair value of non-financial assets

2013	Level 1	Level 2	Level 3	Total
Real estate investments			764	764
Property in own use			100	100
	0	0	864	864

Level 3 Non-financial assets

Changes in Level 3 non-financial assets

2013	Real estate invest-ments	Property in own use
Opening balance	798	114
Amounts recognised in the profit and loss account during the year	–5	–14
Purchase of assets	200	
Sale of assets	–229	
Closing balance	764	100

Amounts recognised in the p&l account during the year (Level 3) non-financial assets

2013	Held at balance sheet date	Derecog-nised during the year	Total
Real estate investments	–25	20	–5
Property in own use	–14		–14
	–39	20	–19

41 DERIVATIVES AND HEDGE ACCOUNTING

Use of derivatives and hedge accounting

As described in the "Risk management" section, NN Group uses derivatives (principally interest rate swaps and cross currency interest rate swaps) for economic hedging purposes in the management of its asset and liability portfolios and structural positions. The objective of economic hedging is to enter into positions with an opposite risk profile to an identified exposure to reduce that exposure. The impact of NN Group's hedging activities is to optimise the overall cost to NN Group of accessing debt capital markets and to mitigate the market risk which would otherwise arise from structural imbalances in the duration and other profiles of its assets and liabilities.

The accounting treatment of hedge transactions varies according to the nature of the instrument hedged and whether the hedge qualifies under the IFRS-EU hedge accounting rules. Derivatives that qualify for hedge accounting under IFRS-EU are classified and reported in accordance with the nature of the instrument hedged and the type of IFRS-EU hedge model that is applicable. The three models applicable under IFRS-EU are: fair value hedge accounting, cash flow hedge accounting and net investment hedge accounting. These are described under the relevant headings below. The company's detailed accounting policies for these three hedge models are set out in Note 1 "Accounting policies" in the section on "Principles of valuation and determination of results".

To qualify for hedge accounting under IFRS-EU, strict criteria must be met. Certain hedges that are economically effective from a risk management perspective do not qualify for hedge accounting under IFRS-EU. The fair value changes of derivatives relating to such non-qualifying hedges are taken to the profit and loss account. However, in certain cases, NN Group mitigates the profit and loss account volatility by designating hedged assets and liabilities at fair value through profit or loss. If hedge accounting is applied under IFRS-EU, it is possible that during the hedge a hedge relationship no longer qualifies for hedge accounting and hedge accounting cannot be continued, even if the hedge remains economically effective. As a result, the volatility arising from undertaking economic hedging in the profit and loss account may be higher than would be expected from an economic point of view.

With respect to exchange rate and interest rate derivative contracts, the notional or contractual amount of these instruments is indicative of the nominal value of transactions outstanding at the balance sheet date; however they do not represent amounts at risk.

Fair value hedge accounting
NN Group's fair value hedges principally consist of interest rate swaps and cross-currency interest rate swaps that are used to protect against changes in the fair value of fixed-rate instruments due to movements in market interest rates.

Gains and losses on derivatives designated under fair value hedge accounting are recognised in the profit and loss account. The effective portion of the fair value change on the hedged item is also recognised in the profit and loss account. As a result, only the net accounting ineffectiveness has an impact on the net result.

For the year ended 31 December 2013, NN Group recognised EUR –6 million (2012: EUR 6 million; 2011: EUR –3 million) of fair value changes on derivatives designated under fair value hedge accounting in the profit and loss account. This amount was offset by EUR 3 million (2012: EUR –6 million; 2011: EUR 3 million) fair value changes recognised on hedged items. This resulted in EUR –3 million (2012: nil; 2011: nil) net accounting ineffectiveness recognised in the profit and loss account. As at 31 December 2013, the fair value of outstanding derivatives designated under fair value hedge accounting was EUR 1 million (2012: EUR –203 million; 2011: EUR –264 million), presented in the balance sheet as EUR 1 million (2012: nil; 2011: nil) positive fair value under assets and nil (2012: EUR 203 million; 2011: EUR 264 million) negative fair value under liabilities.

Cash flow hedge accounting
NN Group's cash flow hedges principally consist of (forward) interest rate swaps and cross-currency interest rate swaps that are used to protect against its exposure to variability in future interest cash flows on assets and liabilities that bear interest at variable rates or are expected to be refunded or reinvested in the future. The amounts and timing of future cash flows, representing both principal and interest flows, are projected for each portfolio of financial assets and liabilities, based on contractual terms and other relevant factors including estimates of prepayments and defaults.

Gains and losses on the effective portions of derivatives designated under cash flow hedge accounting are recognised in Shareholder's equity. Interest cash flows on these derivatives are recognised in the profit and loss account consistent with the manner in which the forecast cash flows affect Net result. The gains and losses on ineffective portions of such derivatives are recognised immediately in the profit and loss account.

For the year ended 31 December 2013, NN Group recognised EUR –832 million (2012 EUR 665 million; 2011: EUR 1,316 million) in equity as effective fair value changes on derivatives under cash flow hedge accounting. The balance of the cash flow hedge reserve in equity as at 31 December 2013 is EUR 3,644 million (2012: EUR 4,736 million; 2011: EUR 3,835 million) gross and EUR 2,726 million (2012: EUR 3,548 million; 2011: EUR 2,883 million) after deferred tax. This cash flow hedge reserve will fluctuate with the fair value of the underlying derivatives and will be reflected in the profit and loss account under Interest income/expense over the remaining term of the underlying hedged items. The cash flow hedge reserve relates to a large number of derivatives and hedged items with varying maturities up to 44 years with the largest concentrations in the range of 1 year to 8 years. Accounting ineffectiveness on derivatives designated under cash flow hedge accounting resulted in EUR 50 million income (2012: EUR 13 million loss; 2011: EUR 16 million loss) which was recognised in the profit and loss account.

As at 31 December 2013, the fair value of outstanding derivatives designated under cash flow hedge accounting was EUR 1,218 million (2012: EUR 2,195 million; 2011: EUR 2,270 million), presented in the balance sheet as EUR 1,433 million (2012: EUR 2,450 million; 2011: EUR 2,572 million) positive fair value under assets and EUR 215 million (2012: EUR 255 million; 2011: EUR 302 million) negative fair value under liabilities.

As at 31 December 2013 and 31 December 2012, there were no non-derivatives designated as hedging instruments for cash flow hedge accounting purposes.

Included in Interest income and Interest expense on non-trading derivatives is EUR 280 million (2012: EUR 300 million; 2011: EUR 329 million) and EUR 35 million (2012: EUR 82 million; 2011: EUR 114 million), respectively, relating to derivatives used in cash flow hedges.

Notes to the Consolidated annual accounts of NN Group continued

Hedges of net investments in foreign operations
NN Group's net investment hedges principally consist of derivatives (including currency forwards and swaps) and non-derivative financial instruments such as foreign currency denominated funding that are used to protect against foreign currency exposures on foreign subsidiaries.

Gains and losses on the effective portions of derivatives designated under net investment hedge accounting are recognised in Shareholder's equity. The balance in equity is recognised in the profit and loss account when the related foreign subsidiary is disposed. The gains and losses on ineffective portions are recognised immediately in the profit and loss account.

As at 31 December 2013, the fair value of outstanding derivatives designated under net investment hedge accounting was EUR –8 million (2012: EUR 2 million; 2011: EUR –7 million), presented in the balance sheet as nil (2012: EUR 2 million; 2011: EUR 5 million) positive fair value under assets and EUR 8 million (2012: nil; 2011: EUR 12 million) negative fair value under liabilities.

As at 31 December 2013, the fair value of outstanding non-derivatives designated under net investment hedge accounting was nil (2012: EUR –1,416 million; 2011: EUR –1,515 million), presented in the balance sheet as negative fair value under liabilities. Non-derivatives designated as hedging instruments consist mainly of loan agreements.

There was no accounting ineffectiveness recognised in the profit and loss account for the year ended 31 December 2013, 2012 and 2011 on derivatives and non-derivatives designated under net investment hedge accounting.

42 ASSETS BY CONTRACTUAL MATURITY
Amounts presented in these tables by contractual maturity are the amounts as presented in the balance sheet.

Assets by contractual maturity

2013	Less than 1 month [(1)]	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Assets							
Cash and cash equivalents	7,155						7,155
Financial assets at fair value through profit or loss:							
– trading assets						736	736
– investments for risk of policyholders [(2)]						39,589	39,589
– non-trading derivatives	44	12	24	1,019	2,032	–5	3,126
– designated as at fair value through profit or loss	401		42	13		26	482
Available-for-sale investments	353	422	1,834	10,383	42,402	5,620	61,014
Loans and advances to customers	417	524	1,774	4,651	17,746	207	25,319
Reinsurance contracts	10	24	30	10	79	99	252
Intangible assets	3	7	14	81	4	283	392
Deferred acquisition costs	20	17	91	198	1,027		1,353
Assets held for sale [(3)]	58		572				630
Other assets	1,234	554	988	385	573	20	3,754
Remaining assets (for which maturities are not applicable) [(4)]						1,956	1,956
Total assets	9,695	1,560	5,369	16,740	63,863	48,531	145,758

(1) Includes assets on demand.
(2) Investments for risk of policyholders are managed on behalf of policyholders on a fair value basis. Although individual instruments may (or may not) have a maturity depending on their nature, this does not impact the liquidity position of NN Group.
(3) Assets held for sale consist of the assets of the disposal groups classified as held for sale as disclosed in Note 11 "Assets and liabilities held for sale". For these assets and liabilities, the underlying contractual maturities are no longer relevant to NN Group. For businesses for which a binding sale agreement exists, all related assets and liabilities held for sale are classified in accordance with the agreed or expected closing date. For other businesses, for which no sale agreement exists, assets and liabilities held for sale are included in "maturity not applicable".
(4) Included in remaining assets for which maturities are not applicable are property and equipment, real estate investments and investments in associates. Due to their nature remaining assets consist mainly of assets expected to be recovered after more than 12 months.

Notes to the Consolidated annual accounts of NN Group continued

Assets by contractual maturity

2012	Less than 1 month [1]	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Assets							
Cash and cash equivalents	5,389						5,389
Financial assets at fair value through profit or loss:							
– trading assets				4		582	586
– investments for risk of policyholders [2]						98,765	98,765
– non-trading derivatives	129	120	214	1,430	3,214		5,107
– designated as at fair value through profit or loss		13	34	242	605	1,106	2,000
Available-for-sale investments	682	1,081	8,137	20,931	72,206	16,268	119,305
Loans and advances to customers	439	157	1,633	2,370	19,282	1,942	25,823
Reinsurance contracts	19	49	281	1,277	1,992	1,672	5,290
Intangible assets	2	5	37	159	44	771	1,018
Deferred acquisition costs	19	18	77	158	316	3,961	4,549
Assets held for sale [3]		5,553				56,138	61,691
Other assets	1,991	577	1,186	2,037	612	332	6,735
Remaining assets (for which maturities are not applicable) [4]						2,495	2,495
Total assets	8,670	7,573	11,599	28,608	98,271	184,032	339,753

[1] Includes assets on demand.
[2] Investments for risk of policyholders are managed on behalf of policyholders on a fair value basis. Although individual instruments may (or may not) have a maturity depending on their nature, this does not impact the liquidity position of NN Group.
[3] Assets held for sale consist of the assets of the disposal groups classified as held for sale as disclosed in Note 11 "Assets and liabilities held for sale". For these assets and liabilities, the underlying contractual maturities are no longer relevant to NN Group. For businesses for which a binding sale agreement exists, all related assets and liabilities held for sale are classified in accordance with the agreed or expected closing date. For other businesses, for which no sale agreement exists, assets and liabilities held for sale are included in "maturity not applicable".
[4] Included in remaining assets for which maturities are not applicable are property and equipment, real estate investments and investments in associates. Due to their nature remaining assets consist mainly of assets expected to be recovered after more than 12 months.

Assets by contractual maturity

2011	Less than 1 month [1]	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Assets							
Cash and cash equivalents	11,577						11,577
Financial assets at fair value through profit or loss:							
– trading assets			6	24	19	485	534
– investments for risk of policyholders [2]						116,438	116,438
– non-trading derivatives	282	304	755	1,600	4,344		7,285
– designated as at fair value through profit or loss			25	191	660	1,740	2,616
Available-for-sale investments	464	1,066	6,580	26,498	79,434	19,562	133,604
Loans and advances to customers	1,166	2,114	2,035	3,008	20,458	4,147	32,928
Reinsurance contracts	17	39	234	1,026	2,656	1,898	5,870
Intangible assets	4	8	81	170	166	1,543	1,972
Deferred acquisition costs	19	22	98	698	3,630	5,737	10,204
Other assets	2,316	855	2,169	2,158	1,417	495	9,410
Remaining assets (for which maturities are not applicable) [3]						2,949	2,949
Total assets	15,845	4,408	11,983	35,373	112,784	154,994	335,387

[1] Includes assets on demand.
[2] Investments for risk of policyholders are managed on behalf of policyholders on a fair value basis. Although individual instruments may (or may not) have a maturity depending on their nature, this does not impact the liquidity position of NN Group.
[3] Included in remaining assets for which maturities are not applicable are property and equipment, real estate investments and investments in associates. Due to their nature remaining assets consist mainly of assets expected to be recovered after more than 12 months.

Notes to the Consolidated annual accounts of NN Group continued

43 LIABILITIES BY MATURITY

The tables below include all financial liabilities by maturity based on contractual, undiscounted cash flows. Furthermore, the undiscounted future coupon interest on financial liabilities payable will be included in a separate line and in the relevant maturity bucket. Derivative liabilities are included on a net basis if cash flows are settled net. For other derivative liabilities the contractual gross cash flow payable is included.

Non-financial liabilities are included based on a breakdown of the balance sheet amounts by expected maturity. Reference is made to the Liquidity Risk paragraph in the "Risk management" section for a description on how liquidity risk is managed.

Liabilities by maturity

2013	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Adjust-ment [1]	Total
Liabilities								
Subordinated loans	962	813	450	667				2,892
Other borrowed funds	2,731	1,001	11	155	919			4,817
Customer deposits and other funds on deposit			25	777	1,110	3,857		5,769
Financial liabilities at fair value through profit or loss:								
– non-trading derivatives	293	69	–26	–41	–2,290		3,838	1,843
Financial liabilities	3,986	1,883	460	1,558	–261	3,857	3,838	15,321
Insurance and investment contracts	806	1,115	5,486	17,586	47,038	39,520		111,551
Liabilities held for sale [2]	14		452					466
Other liabilities	1,419	–1	918	318	1,107	364		4,125
Non-financial liabilities	2,239	1,114	6,856	17,904	48,145	39,884	0	116,142
Total liabilities	6,225	2,997	7,316	19,462	47,884	43,741	3,838	131,463
Coupon interest due on financial liabilities	–1		–1	–4	–3			–9

[1] This column reconciles the contractual undiscounted cash flow on financial liabilities to the balance sheet values. The adjustments mainly relate to the impact of discounting and, for derivatives, to the fact that the contractual cash flows are presented gross basis (unless the cash flows are actually settled net).

[2] Liabilities held for sale consist of the liabilities of the disposal groups classified as held for sale as disclosed in Note 11 "Assets and liabilities held for sale". For these assets and liabilities, the underlying contractual maturities are no longer relevant to NN Group. For businesses for which a binding sale agreement exists, all related assets and liabilities held for sale are classified in accordance with the agreed or expected closing date. For other businesses, for which no sale agreement exists, assets and liabilities held for sale are included in "maturity not applicable".

Notes to the Consolidated annual accounts of NN Group continued

Liabilities by maturity

2012	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Adjust-ment [1]	Total
Liabilities								
Subordinated loans					476	2,438	33	2,947
Debt securities in issue	1		799		1,116		–6	1,910
Other borrowed funds	3,476	32	1,539	969	1,426			7,442
Financial liabilities at fair value through profit or loss:								
– non-trading derivatives	292	96	313	1,289	751	1,145	–628	3,258
Financial liabilities	3,769	128	2,651	2,258	3,769	3,583	–601	15,557
Insurance and investment contracts	1,646	1,951	9,156	36,050	79,065	102,082		229,950
Liabilities held for sale [2]		4,656				50,999		55,655
Other liabilities	1,773	383	2,777	3,352	2,171	495		10,951
Non-financial liabilities	3,419	6,990	11,933	39,402	81,236	153,576	0	296,790
Total liabilities	7,188	7,118	14,584	41,660	85,005	157,159	–601	312,113
Coupon interest due on financial liabilities	10	21	42	279	578			930

[1] This column reconciles the contractual undiscounted cash flow on financial liabilities to the balance sheet values. The adjustments mainly relate to the impact of discounting and, for derivatives, to the fact that the contractual cash flows are presented gross basis (unless the cash flows are actually settled net).
[2] Liabilities held for sale consist of the liabilities of the disposal groups classified as held for sale as disclosed in Note 11 “Assets and liabilities held for sale”. For these assets and liabilities, the underlying contractual maturities are no longer relevant to NN Group. For businesses for which a binding sale agreement exists, all related assets and liabilities held for sale are classified in accordance with the agreed or expected closing date. For other businesses, for which no sale agreement exists, assets and liabilities held for sale are included in “maturity not applicable”.

Liabilities by maturity

2011	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Adjust-ment [1]	Total
Liabilities								
Subordinated loans					1,726	2,617	24	4,367
Debt securities in issue	1		847	2,107	479		2	3,436
Other borrowed funds	5,621	93	24	168	1,401			7,307
Financial liabilities at fair value through profit or loss:								
– non-trading derivatives	123	216	494	1,431	2,146	1,131	–1,137	4,404
Financial liabilities	5,745	309	1,365	3,706	5,752	3,748	–1,111	19,514
Insurance and investment contracts	2,787	1,788	10,346	39,034	105,512	119,366		278,833
Other liabilities	1,906	475	4,093	3,891	2,016	1,122		13,503
Non-financial liabilities	4,693	2,263	14,439	42,925	107,528	120,488	0	292,336
Total liabilities	10,438	2,572	15,804	46,631	113,280	124,236	–1,111	311,850
Coupon interest due on financial liabilities		35	123	286	492			936

[1] This column reconciles the contractual undiscounted cash flow on financial liabilities to the balance sheet values. The adjustments mainly relate to the impact of discounting and, for derivatives, to the fact that the contractual cash flows are presented gross basis (unless the cash flows are actually settled net).

44 ASSETS NOT FREELY DISPOSABLE

The assets not freely disposable relate primarily to investments of EUR 54 million (2012: EUR 238 million; 2011: EUR 251 million) provided as guarantees for certain contingent liabilities. There are no significant terms and conditions relating to the collateral represented by such guarantees.

Assets relating to securities lending are disclosed in Note 45 “Transfer of financial assets”.

Notes to the Consolidated annual accounts of NN Group continued

45 TRANSFER OF FINANCIAL ASSETS

The majority of NN Group's financial assets, that have been transferred, but do not qualify for derecognition are debt instruments used in securities lending.

Transfer of financial assets not qualifying for derecognition

	Securities lending	
2013	**Equity**	**Debt**
Transferred assets at carrying amount		
Available-for-sale investments		**1,855**

Transfer of financial assets not qualifying for derecognition

	Securities lending	
2012	Equity	Debt
Transferred assets at carrying amount		
Available-for-sale investments		2,590

Transfer of financial assets not qualifying for derecognition

	Securities lending	
2011	Equity	Debt
Transferred assets at carrying amount		
Available-for-sale investments		8,745

In addition NN Group has entered into a sale and repurchase transaction of EUR 380 million.

The table above does not include assets transferred to consolidated securitisation entities, as the related assets remain recognised in the Consolidated balance sheet. Reference is made to Note 51 "Structured entities".

46 OFFSETTING FINANCIAL ASSETS AND LIABILITIES

The following tables include information about rights to offset and the related arrangements. The amounts included consist of all recognised financial instruments that are presented net in the balance sheet under the IFRS-EU offsetting requirements (legal right to offset and intention to net settle) and amounts presented gross in the balance sheet but subject to enforceable master netting arrangements or similar arrangement.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

					Related amounts not offset in the balance sheet		
2013		**Gross amounts of recog-nised financial assets**	**Gross amounts of recog-nised financial liabilities offset in the balance sheet**	**Net amounts of financial assets presented in the balance sheet**	**Financial instru-ments**	**Cash and financial instru-ments received as collateral**	**Net amount**
BALANCE SHEET LINE ITEM	**FINANCIAL INSTRUMENT**						
Financial assets at fair value through profit or loss							
Non-trading derivatives	Derivatives	**1,971**		**1,971**	**–576**	**–1,377**	**18**
		1,971		**1,971**	**–576**	**–1,377**	**18**
Investments							
Available-for-sale	Other	**114**		**114**		**–113**	**1**
		114		**114**		**–113**	**1**
Total financial assets		**2,085**		**2,085**	**–576**	**–1,490**	**19**

Notes to the Consolidated annual accounts of NN Group continued

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

2013		Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not offset in the balance sheet: Financial instruments	Related amounts not offset in the balance sheet: Cash and financial instruments pledged as collateral	Net amount
BALANCE SHEET LINE ITEM	**FINANCIAL INSTRUMENT**						
Financial liabilities at fair value through profit or loss							
Non-trading derivatives	Derivatives	721		721	–576	–133	12
		721	0	721	–576	–133	12
Other items where offsetting is applied in the balance sheet		1,030		1,030		–1,030	0
Total financial liabilities		1,751	0	1,751	–576	–1,163	12

47 CONTINGENT LIABILITIES AND COMMITMENTS

In the normal course of business NN Group is party to activities whose risks are not reflected in whole or in part in the consolidated financial statements. In response to the needs of its customers, NN Group offers financial products related to loans. These products include traditional off-balance sheet credit-related financial instruments.

Contingent liabilities and commitments

2013	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Commitments	51	134	135	253	81	29	683
Guarantees	3						3
	54	134	135	253	81	29	686

Contingent liabilities and commitments

2012	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Commitments	556	229	134	188	68	69	1,244
Guarantees	221			6	10	1	238
	777	229	134	194	78	70	1,482

Contingent liabilities and commitments

2011	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Maturity not applicable	Total
Commitments	1,148	158	174	227	3	115	1,825
Guarantees	250			9	10	5	274
	1,398	158	174	236	13	120	2,099

NN Group has issued certain guarantees, which are expected to expire without being drawn on and therefore do not necessarily represent future cash outflows. In addition to the items included in contingent liabilities, NN Group has issued guarantees as a participant in collective arrangements of national industry bodies and as a participant in government required collective guarantee schemes which apply in different countries.

Furthermore, NN Group leases assets from third parties under operating leases as lessee. The future rental commitments to be paid under non-cancellable operating leases are as follows:

Notes to the Consolidated annual accounts of NN Group continued

Future rental commitments for operating lease contracts

	2013
2014	3
2015	3
2016	3
2017	3
2018	3
years after 2018	11

48 LEGAL PROCEEDINGS

NN Group companies are involved in litigation and arbitration proceedings in the Netherlands and in a number of foreign jurisdictions, involving claims by and against them which arise in the ordinary course of their businesses, including in connection with their activities as insurers, lenders, broker-dealers, underwriters, issuers of securities, and investors and their position as employers and taxpayers. In certain of such proceedings, very large or indeterminate amounts are sought, including punitive and other damages. While it is not feasible to predict or determine the ultimate outcome of all pending or threatened legal and regulatory proceedings, the Company's management is of the opinion that some of the proceedings set out below may have or have in the recent past had a significant effect on the financial position, profitability or reputation of the Company.

Because of the geographic spread of its business, NN Group may be subject to tax audits in numerous jurisdictions at any point in time. Although NN Group believes that it has adequately provided for all its tax positions, the ultimate resolution of these audits may result in liabilities which are different from the amounts recognised.

Since the end of 2006, unit-linked products (commonly referred to in Dutch as "beleggingsverzekeringen") have received negative attention in the Dutch media, from the Dutch Parliament, the AFM and consumer protection organisations. Costs of unit-linked products sold in the past are perceived as too high and Dutch insurers are in general being accused of being less transparent in their offering of such unit-linked products. The criticism on unit-linked products led to the introduction of compensation schemes by Dutch insurance companies that have offered unit-linked products. In 2008 NN Group's Dutch insurance subsidiaries reached an outline agreement with two main consumer protection organisations to offer compensation to their unit-linked policyholders where individual unit-linked policies had a cost charge in excess of an agreed maximum and to offer similar compensation for certain hybrid insurance products. At 31 December 2008 costs of the settlements were valued at EUR 365 million for which adequate provisions have been established and of which a substantial portion has been paid out. The remaining unpaid part of the provision as per 31 December 2013 is solely available to cover costs relating to the settlements agreed in 2008. A full agreement on implementation was reached in 2010 with one of the two main consumer protection organisations with the second main consumer protection organisation signing its agreement in June 2012. In addition, NN Group's Dutch insurance subsidiaries announced additional measures (flankerend beleid) that comply with the "Best in Class" criteria as formulated on 24 November 2011 by the Dutch Minister of Finance. In December 2011 this resulted in an additional agreement on these measures with the two main consumer protection organisations. In 2012 almost all unit-linked policyholders were informed about the compensation. The agreements with the two consumer protection organisations are not binding on policyholders. Consequently, neither the implementation of the compensation schemes nor the additional measures offered by NN Group prevent individual policyholders from initiating legal proceedings against NN Group's Dutch insurance subsidiaries and making claims for damages.

In November 2013, the so-called "Vereniging Woekerpolis.nl", an association representing the interests of policyholders, initiated a so-called "collective action", requesting the District Court in Rotterdam to declare that NN Group's Dutch insurance subsidiaries sold products in the market, which are defective in various respects, (e.g. on transparency regarding cost charges and other product characteristics, and included risks for which the insurer failed to warn, such as considerable stock depreciations, the inability to realise the projected final policy value, unrealistic capital projections due to difference in geometric versus arithmetic returns). NN Group's Dutch insurance subsidiaries have rejected these claims and will defend themselves in these proceedings.

Apart from the afore mentioned "collective action", several other claim organisations and initiatives were established on behalf of policyholders, such as the organisation Wakkerpolis. This organisation primarily concentrates on the recovery of initial costs for policyholders, based on an interim ruling of the Dispute Committee of the Financial Services Complaints Board (KiFiD) issued on 13 May 2013 in an individual case. In this case, the KiFiD concluded that there is no contractual basis for charging initial costs (which are costs charged to the policy during a limited period of time). Apart from the initial costs, it can be derived from the interim ruling – in accordance with past rulings of the KiFiD – that an insurer is obliged to warn against the leverage and capital consumption effect (which is the effect caused by the dependency of life insurance premium on the value of the policy; the lower the value of the policy – the higher the life insurance premium). NN Group believes that this interim ruling is incorrect on several legal grounds.

Notes to the Consolidated annual accounts of NN Group continued

In proceedings pending before the District Court in Rotterdam, the Court has upon the request of the parties, including NN Group, submitted prejudicial questions to the European Court of Justice to obtain clarity on principal legal questions with respect to cost transparency related to unit-linked policies. The main prejudicial question is whether European law allows for the application of information requirements based on general principles of Dutch law that extend beyond information requirements as explicitly prescribed by laws and regulations in force at the time the policy was written. Although the European Court does not decide on the applicable standards in specific cases, NN Group believes the ruling of the Court of Justice can give clarification on this question of legal principle which is subject of other legal proceedings in the Netherlands. It is expected that the European Court of Justice will render its judgment at the earliest in 2014.

NN Group's Dutch insurance subsidiaries have issued, sold or advised on approximately one million individual unit-linked policies. There has been for some time and there continues to be political, regulatory and public attention focused on the unit-linked issue in general. Elements of unit-linked policies are being challenged or may be challenged on multiple legal grounds in current and future legal proceedings. There is a risk that one or more of these legal challenges will succeed. The financial consequences of any of the aforementioned factors or a combination thereof can be substantial for the Dutch insurance business of NN Group and may affect NN Group, both financially and reputationally. However, these consequences cannot be reliably estimated or quantified at this point.

In January 2010, ING lodged an appeal with the General Court of the European Union against specific elements of the European Commission's decision regarding ING's restructuring plan. In its appeal, ING contested the way the Commission has calculated the amount of state aid ING received and the disproportionality of the price leadership restrictions specifically and the disproportionality of restructuring requirements in general. On 2 March 2012, the General Court handed down its judgment in relation to ING Group's appeal and annulled part of the EC's state aid decision. Subsequently, the EC filed an appeal against the General Court's judgment before the Court of Justice of the European Union. In parallel, the EC adopted a decision on 11 May 2012 that re-approved the state aid granted to ING Group as compatible with the internal market on the basis of ING Group's 2009 Restructuring Plan. On the same date, the EC adopted an interim decision which opened an investigation concerning certain amendments and elements of the 2009 Restructuring Plan.

On 24 July 2012, ING announced that the Dutch State and ING were in dialogue with the European Commission on an amended and updated Restructuring Plan to be submitted to the European Commission. However, in order to safeguard its legal rights, ING filed an appeal with the General Court of the European Union against the European Commission's decision of 11 May 2012, which re-approved ING's Restructuring Plan that ING submitted in 2009.

On November 19, 2012, ING Group and the EC announced that the EC had approved amendments to the 2009 Restructuring Plan (the "2012 Amended Restructuring Plan"). With the approval, the Commission has closed its Investigation as announced on 11 May 2012 and ING has withdrawn its appeal at the General Court of the European Union that it filed in July 2012. For principal legal reasons the European Commission will continue with its appeal against the General Court ruling of March 2012. However, the outcome of this Appeal will not affect the EC approval of the 2012 Amended Restructuring plan. It is expected that this judgment will be rendered in April 2014.

In July 2011, the Dutch ING Pensioners' Collective Action Foundation (Stichting Collectieve Actie Pensioengerechtigden ING Nederland), together with two trade unions (FNV Bondgenoten and CNV Dienstenbond) and a number of individual pensioners, instituted legal proceedings against ING's decision not to provide funding for indexing pensions insured with the Dutch ING Pension Fund (Stichting Pensioenfonds ING) in 2009, 2010 and 2011. This claim was rejected by the district court of Amsterdam on 9 November 2012. An appeal was lodged against this court decision. In July 2011, also the Interest Group ING General Managers' Pensions (Belangenvereniging ING-Directiepensioenen), together with a number of individual retired Dutch General Managers of ING, instituted legal proceedings against ING's decision not to provide funding for indexing Dutch General Managers' pensions directly insured with Nationale-Nederlanden in 2010 and 2011. This claim was rejected by the district court of Amsterdam on 22 October 2012. An appeal was lodged against this court decision. It is not feasible to predict the ultimate outcome of these legal proceedings. The ultimate outcome of these proceedings may result in liabilities and provisions for such liabilities which are different from the amounts recognised. At this moment it is not practicable to provide an estimate of the (potential) financial effect of such proceedings.

In April 2013, the ING Pension Fund started arbitration proceedings to adjudicate a dispute with ING concerning the adjusted mortality tables used in the calculation of premiums and provisions. In 2013 ING decided to lower its contributions by 1.7% as a result of ING not accepting the adjustments made by the ING Pension Fund resulting from the mortality tables used. In February 2014 the ING Pension Fund and ING agreed that the ING Pension Fund will remain using a surcharge of 1.7% and the ING Pension Fund and ING will share the costs of the 1.7% surcharge over 2013. The payment of 50% of the surcharge 2013 by ING is included in the payment by ING of the one-time lump sum to the ING Pension Fund, which was closed for the accrual of new pension benefits as of 1 January 2014, of EUR 379 million to release ING from future financial obligations. More information is provided in Note 53 "Other events".

Notes to the Consolidated annual accounts of NN Group continued

In July 2013, the ING Pension Fund started arbitration proceedings against ING's decision not to provide funding (for a total amount of EUR 197.5 million) for indexing pensions insured with the ING Pension Fund as of 1 January 2013. During the arbitration proceedings the ING Pension Fund added a claim in the amount of EUR 38.8 million for funding the indexation as of 1 August 2013. On 20 December 2013 the arbitrators ruled in favour of the ING Pension Fund and concluded that ING will have to provide full funding for both the indexation as of 1 January 2013 and the indexation as of 1 August 2013. The outcome of the arbitration is reflected in the 2013 Annual Accounts.

Following a recent broad industry review by the Dutch regulator DNB, Nationale-Nederlanden Schadeverzekering Maatschappij N.V. was instructed to strengthen its policies and procedures in respect of sanctions-related customer screening and related compliance matters. Nationale-Nederlanden Schadeverzekering Maatschappij N.V. is currently in the process of implementing DNB's recommendations.

49 COMPANIES AND BUSINESSES ACQUIRED AND DIVESTED

Acquisitions effective in 2013

WestlandUtrecht Bank

The partial transfer of WestlandUtrecht Bank's assets and liabilities, in which the commercial operations of WestlandUtrecht Bank have been combined with the retail banking activities of Nationale-Nederlanden, was announced in November 2012. On 1 July 2013 EUR 3.8 billion of WestlandUtrecht Bank's Dutch mortgage portfolio, EUR 0.1 billion of consumer lending and EUR 3.7 billion of Dutch savings portfolio were transferred to NN Bank. In addition approximately 400 of WestlandUtrecht Bank's employees were transferred to NN Bank. All assets and liabilities were transferred at the existing carrying value as included in ING Bank's balance sheet. This transaction was completed on 1 July 2013.

In addition, during the second half of 2013 a further amount of EUR 4.2 billion of Dutch mortgages were transferred from WestlandUtrecht Bank to NN Group. The transfers have been made at an arm's length price.

Divestments announced in 2014

The investment management business in Taiwan

On 10 January 2014, an agreement was reached to sell ING Investment Management (IM) Taiwan, the Taiwanese asset management business, to Japan-based Nomura Asset Management Co Ltd. in partnership with a group of investors. The transaction is not expected to have a significant impact on Net result. The transaction is subject to regulatory approval and expected to close in the second quarter of 2014.

Divestments in 2013

ING U.S.

In 2013, the remaining interest in its subsidiary ING U.S., Inc. ("ING U.S.") was transferred to ING Groep N.V. by way of dividend in kind. Reference is made to Note 53 "Other events" for more details on the transaction.

The insurance and investment management businesses in Asia

In 2012, the insurance and investment management businesses in Asia and the (internally) reinsured Japan SPVA business in corporate reinsurance were classified as held for sale and discontinued operations. After carefully exploring and evaluating the options available for the divestment of ING Life Japan, it was concluded that a standalone divestment of ING Life Japan, including its Corporate Owned Life Insurance (COLI) and Closed Block VA businesses, is not feasible in a manner that would appropriately meet the demands of regulators and other stakeholders in ING Group and ING Life Japan. Therefore, ING Life Japan will be included with NN Group's European insurance and investment management businesses in the base case IPO of NN Group in 2014. Various individual divestment transactions have been agreed. The specifics of these transactions are included below. The Asian insurance and investment management businesses and the (internally) reinsured Japan SPVA businesses in Corporate Reinsurance were previously included respectively in the segments Insurance Asia/Pacific, Investment Management and Other before they were classified as discontinued operations. Reference is made to Note 11 "Assets and liabilities held for sale" and Note 33 "Discontinued operations".

Joint venture China Merchants Fund

In October 2012, an agreement to sell the 33.3% interest in China Merchants Fund, an investment management joint venture, to the joint venture partners China Merchants Bank Co., Ltd., and China Merchants Securities Co., Ltd, was reached. A total cash consideration of EUR 98 million was received. The transaction realised a net gain of EUR 59 million. The transaction closed on 3 December 2013.

The insurance businesses in Hong Kong, Macau, Thailand

In October 2012, an agreement to sell the life insurance, general insurance, pension and financial planning units in Hong Kong and Macau, and the life insurance operation in Thailand to Pacific Century Group for a combined consideration of EUR 1.6 billion (USD 2.1 billion) in cash, was reached. A net gain of EUR 945 million is recognised in 2013. The transaction closed on 28 February 2013.

Notes to the Consolidated annual accounts of NN Group continued

The investment management business in Thailand
In November 2012, an agreement to sell the investment management business in Thailand to UOB Asset Management Ltd, was reached. A total cash consideration of EUR 10 million for the investment management business in Thailand was received. The transaction closed on 3 May 2013.

The investment management business in Malaysia
In December 2012, an agreement to sell the 70% interest in ING Funds Berhad (IFB), the investment management business in Malaysia, to Kenanga Investors Berhad (Kenanga Investors), a wholly-owned subsidiary of K & N Kenanga Holdings Berhad (Kenanga), was reached. The transaction closed on 19 April 2013.

Joint venture ING Vysya Life
In January 2013, it was agreed to sell the full interest in ING Vysya Life Insurance Company Ltd. to the joint venture partner Exide Industries Ltd. The transaction resulted in a net loss of EUR 15 million for which goodwill was reduced in 2012. The transaction closed on 22 March 2013.

Joint venture KB Life
In April 2013, the 49% interest in Korean insurance venture KB Life Insurance Company Ltd. (KB Life) was agreed to be sold to joint venture partner KB Financial Group Inc. A total cash consideration of EUR 115 million (KRW 166.5 billion) was received for its 49% interest in KB Life. The transaction closed 20 June 2013.

Joint venture ING-BOB Life
In July 2013, the 50% interest in the Chinese insurance joint venture ING-BOB Life Insurance Company was agreed to be sold to BNP Paribas Cardif, the insurance arm of BNP Paribas. The transaction is not expected to have a significant impact on Net result. This transaction is subject to regulatory approvals and is expected to close in the first half of 2014.

The investment management business in South Korea
In July 2013, the investment management business in South Korea was agreed to be sold to Macquarie Group. The transaction did not have a significant impact on Net results. The transaction closed on 2 December 2013.

ING Life Korea
In August 2013, ING Life Korea, the wholly-owned life insurance business in South Korea, was agreed to be sold to MBK Partners for a total consideration of EUR 1.24 billion (KRW 1.84 trillion). Under the terms of the agreement, NN Group will continue to hold an indirect interest of approximately 10% in ING Life Korea for an amount of EUR 80 million (KRW 120 billion). ING has also reached a licensing agreement that will allow ING Life Korea to continue to operate under the ING brand for a maximum period of five years. In addition, over the course of one year, NN Group will continue to provide technical support and advice to ING Life Korea. The transaction resulted in an after tax loss of approximately EUR 1.0 billion. This transaction closed on 24 December 2013.

In addition to the above mentioned transactions, the interest in the joint venture ING Financial Services Private Limited was sold to Hathaway investments.

ING Hipotecaria
In June 2013, ING Hipotecaria, S.A. de C.V. the mortgage business in Mexico, was agreed to be sold to Banco Santander (México) S.A. This transaction resulted in a net loss of EUR 64 million which is recognised in 2013. The transaction closed on 29 November 2013.

Notes to the Consolidated annual accounts of NN Group continued

Most significant companies divested in 2013

	ING U.S. [2]	The insurance businesses in Hong Kong, Macau and Thailand	ING Life Korea	Total
Sales proceeds				
Cash proceeds [1]		1,630	1,235	2,865
Non-cash proceeds				
Sales proceeds	0	1,630	1,235	2,865
Assets				
Cash and cash equivalents	1,367	103	171	1,641
Financial assets at fair value through profit and loss	78,101	763	4,292	83,156
Available-for-sale investments	55,501	3,503	9,874	68,878
Loans and advances to customers	8,270	163	1,523	9,956
Reinsurance contracts	4,482	70	17	4,569
Real estate investments	6			6
Intangible assets	894	66	32	992
Deferred acquisition costs	4,416	601	1,848	6,865
Miscellaneous other assets	2,687	162	396	3,245
Liabilities				
Debt securities in issue	2,600			2,600
Other borrowed funds	78			78
Insurance and investment contracts	136,541	4,329	15,034	155,904
Financial liabilities at fair value through profit and loss	2,290	1	7	2,298
Miscellaneous other liabilities	4,451	230	729	5,410
Net assets	9,764	871	2,383	13,018
% divested	71	100	100	
Net assets divested	6,826	871	2,383	10,080
Gain/loss on divestment [3]	nil	944	–989	–45

[1] Cash outflow / inflow on group companies in the cash flow statement includes cash outflows / inflows on individually insignificant disposals in addition to the cash flow presented.
[2] The remaining interest in ING U.S. was transferred to ING Groep N.V. by way of dividend in kind.
[3] The gain/loss on divestments comprises the sales proceeds, the net assets divested, the expenses directly related to the disposal and the realisation of unrealised reserves.

Acquisitions effective in 2012
There were no significant acquisitions in 2012.

Divestments effective in 2012
Insurance businesses in Malaysia
In October 2012, An agreement with AIA Company Ltd. to sell the insurance operations in Malaysia, which included the life insurance business, the market-leading employee benefits business and the 60% interest in ING Public Takaful Ehsan Berhad, was reached. A total cash consideration of EUR 1.3 billion was received. In December 2012, the sale was completed with a net transaction gain of EUR 745 million after tax.

Notes to the Consolidated annual accounts of NN Group continued

Most significant companies divested in 2012	Insurance business in Malaysia
Sales proceeds	
Cash proceeds	1,332
Sales proceeds	1,332
Assets	
Cash and cash equivalents	86
Investments	3,293
Loans and advances to customers	539
Financial assets at fair value through profit or loss	224
Real estate investments	87
Miscellaneous other assets	899
Liabilities	
Insurance and investment contracts	3,964
Miscellaneous other liabilities	512
Net assets	652
% divested	100%
Net assets divested	652
Gain on divestment [(1)]	745

[(1)] The gain on divestments comprises the sales proceeds, the net assets divested, the expenses directly related to the divestment and the realisation of unrealised reserves.

Acquisitions effective in 2011
There were no significant acquisitions in 2011.

Divestments effective in 2011
Pacific Antai Life Insurance Company Ltd.
In June 2011, the sale of the entire interest in China's Pacific Antai Life Insurance Company Ltd. (PALIC) to China Construction Bank for a consideration of EUR 82 million, and a net profit of EUR 28 million, was completed. The interest in PALIC was previously included in the former segment Insurance Asia/Pacific. The deal had been announced in 2009 and was presented as held for sale since 2009 until the sale was completed.

ING Investment Management Australia
In October 2011, the sale of ING Investment Management (ING IM) Australia to UBS AG was completed ING IM Australia's business provided a number of investment strategies and products directly to the Australian institutional and wholesale markets. ING IM Australia was previously included in the segment ING Investment Management.

Latin American pensions, life insurance and investment management operations
In December 2011 the sale of the Latin American pensions, life insurance and investment management operations ("Latin American operations") for a total consideration of EUR 2,637 million to Grupo de Inversiones Suramericana ("GRUPOSURA") was completed. The sale was the first major step in the divestment of the insurance and investment management activities. Under the terms of the agreement, EUR 2,572 million in cash was received and GRUPOSURA assumed EUR 65 million in debt. The sale resulted in a net profit of EUR 995 million. Included in the transaction were the mandatory pension and voluntary savings businesses in Chile, Colombia, Mexico, Uruguay and the 80% interest in AFP Integra S.A. in Peru; the life insurance businesses in Chile and Peru. As part of this transaction the 33.7% interest in Peruvian InVita Seguros de Vida S.A. was sold to the Wiese Family. The transaction also included the local investment management capabilities in these five countries. Not included in the transaction was the 36% interest in the leading Brazilian insurer Sul América S.A.

The Latin American operations were previously included in the segments Insurance Latin America and Investment Management before they classified as discontinued operations. The segment Insurance Latin America ceased to exist following this transaction as the majority of the assets and activities in this segment have been sold. The net result from discontinued operations was presented separately in the consolidated profit and loss account. Reference is made to Note 33 "Discontinued operations" for more detailed disclosures.

Notes to the Consolidated annual accounts of NN Group continued

Most significant companies divested in 2011

	Pacific Antai Life Insurance Company Ltd.	Latin American operations	Total
Sales proceeds			
Cash proceeds [(1)]	82	2,572	2,654
Non-cash proceeds		65	65
Sales proceeds	82	2,637	2,719
Assets			
Cash and cash equivalents	7	80	87
Investments	146	644	790
Loans and advances to customers	54	6	60
Financial assets at fair value through profit or loss	10	679	689
Miscellaneous other assets	48	1,491	1,539
Liabilities			
Insurance and investment contracts	205	715	920
Other borrowed funds		66	66
Miscellaneous other liabilities	14	563	577
Net assets	46	1,556	1,602
% divested	80%	Various [(2)]	
Net assets divested	37	1,478	1,515
Gain on divestment [(3)]	28	995	1,023

[(1)] Cash outflow / inflow on group companies in the cash flow statement includes cash outflows / inflows on individually insignificant disposals in addition to the cash flow presented.
[(2)] Comprises various entities as explained in the description of the divestment.
[(3)] The gain on divestments comprises the sales proceeds, the net assets divested, the expenses directly related to the divestment and the realisation of unrealised reserves.

50 PRINCIPAL SUBSIDIARIES

For the majority of NN Group's principal subsidiaries, NN Group N.V. has control because it either directly or indirectly owns more than half of the voting power. For each of the subsidiaries listed below, the voting rights held equal the proportion of ownership interest. For subsidiaries in which the interest held is below 50%, control exists based on the combination of NN Group's financial interest and its rights from other contractual arrangements which result in control over the operating and financial policies of the entity.

The principal subsidiaries and their statutory place of incorporation or primary place of business are as follows:

Entities that are part of the insurance operations

		Proportion of ownership interest held by NN Group	
		2013	2012
Subsidiary			
Nationale-Nederlanden Levensverzekering Maatschappij N.V.	The Netherlands	**100%**	100%
Nationale-Nederlanden Schadeverzekering Maatschappij N.V.	The Netherlands	**100%**	100%
Parcom Capital B.V.	The Netherlands	**100%**	100%
Nationale-Nederlanden Services N.V.	The Netherlands	**100%**	100%
Movir N.V.	The Netherlands	**100%**	100%
ING Re (Netherlands) N.V.	The Netherlands	**100%**	100%
Nationale-Nederlanden Bank N.V.	The Netherlands	**100%**	100%
ING Investment Management Holdings N.V.	The Netherlands	**100%**	100%
ING Pojistovna a.s.	Czech Republic	**100%**	100%
ING Životná poist'ovna a.s.	Slovakia	**100%**	100%
ING Uslugi Finansowe S.A.	Poland	**100%**	100%
ING Powszechne Towarzystwo Emerytalne S.A.	Poland	**80%**	80%
ING Asigurari de Viata S.A.	Romania	**100%**	100%
ING Greek Life Insurance Company S.A.	Greece	**100%**	100%
ING Biztosító Zártkörûen Mûködõ Részvénytársaság	Hungary	**100%**	100%
ING Pensionno-Osigoritelno Druzestvo EAD	Bulgary	**100%**	100%
ING Life Belgium N.V.	Belgium	**100%**	100%
ING Non Life Belgium N.V.	Belgium	**100%**	100%
ING Life Luxembourg S.A.	Luxembourg	**100%**	100%
Nationale-Nederlanden Vida, Compañia de Seguros y Reaseguros S.A.	Spain	**100%**	100%
Nationale-Nederlanden Generales, Compañia de Seguros y Reaseguros S.A.	Spain	**100%**	100%
ING Emeklilik A.S.	Turkey	**100%**	100%
ING Life Insurance Company Limited	Japan	**100%**	100%

51 STRUCTURED ENTITIES

NN Group's activities involve transactions with structured entities in the normal course of its business. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. NN Group's involvement in these entities varies and includes both debt financing and equity financing of these entities as well as other relationships. Based on its accounting policies, as disclosed in the section "Principles of valuation and determination of results" of these Consolidated annual accounts, NN Group establishes whether these involvements result in no significant influence, significant influence, joint control or control over the structured entity.

The structured entities over which NN Group can exercise control are consolidated. NN Group may provide support to these consolidated structured entities as and when appropriate, however this is fully reflected in the consolidated financial statements of NN Group as all assets and liabilities of these entities are included and off-balance sheet commitments are disclosed.

NN Group's activities involving structured entities are explained below in the following categories:
- Consolidated NN Group originated Liquidity management securitisation programmes (Hypenn);
- Investments – NN Group managed Investment funds; and
- Investments – Third party managed structured entities.

Notes to the Consolidated annual accounts of NN Group continued

Consolidated NN Group originated Liquidity management securitisation programmes
In 2013, NN Bank originated a securitisation program of approximately EUR 2.1 billion mortgage loans ("Hypenn"). The related structured entity is consolidated by NN Bank and, therefore, the related mortgage loans continue to be recognised in the Consolidated balance sheet. The structured entity is partly funded through the issue of Residential Mortgage Backed Securities to ING Bank (as at 31 December 2013: EUR 400 million). Reference is made to Note 52 "Related parties".

NN Group managed Investment funds
NN Group originates investment funds. NN Group may hold investments in these funds for its own account through the general account investment portfolio of the insurance operations. Other investments in these funds may be held for the account of policyholders or by third parties. For the majority of these funds, NN Group also acts as the fund manager. NN Group considers both NN Group's financial interests for own risk and its role as investment manager to establish whether control exists and whether the fund is consolidated. In general, NN Group maintains a minority interest in these funds and NN Group receives a fixed fee over assets under management, at arm's length basis, for its asset management activities. These funds are therefore generally not included in the Consolidated annual accounts of NN Group.

Reference is made to Note 4 "Available-for-sale investments" in which investments in equity securities are specified by NN Group managed investment funds and Third party managed investment funds. The maximum exposure to loss for NN Group is equal to the reported carrying value of the investment recognised in the consolidated balance sheet of NN Group.

Third party managed structured entities
As part of its investment activities, NN Group invests both in debt and equity instruments of structured entities originated by third parties.

Most of the debt investments relate to asset backed securities (ABS). Reference is made to Note 4 "Available-for-sale investments" where the ABS portfolio is disclosed.

The majority of the equity investments relate to interests in investment funds that are not originated or managed by NN Group. Reference is made to Note 4 "Available-for-sale investments" in which investments in equity securities are specified by NN Group managed investment funds and Third party managed investment funds.

NN Group has significant influence for some of its real estate investment funds as disclosed in Note 6 "Investments in associates".

52 RELATED PARTIES
In the normal course of business, NN Group enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Related parties of NN Group include, amongst others, its joint ventures, associates, key management personnel and the defined benefit and contribution plans. Transactions between related parties have taken place on an arm's length basis, and include distribution agreements, transitional services, sourcing and procurement agreements, human resources-related arrangements, transfer pricing agreements, rendering and receiving of services, leases, transfers under finance arrangements and provisions of guarantees or collateral. There are no significant provisions for doubtful debts or individually significant bad debt expenses recognised on outstanding balances with related parties.

Transactions with associates

	Associates		
	2013	2012	2011
Assets		48	47

In 2013, 2012 and 2011 there were no transactions with joint ventures.

Transactions with ING Groep N.V. and ING Bank N.V.

	ING Groep N.V.			ING Bank N.V.		
	2013	2012	2011	**2013**	2012	2011
Assets	**54**			**6,388**	4,942	13,211
Liabilities	**3,394**	3,749	2,617	**961**	294	1,888
Guarantees in favour of					221	250
Income received				**36**	68	338
Expenses paid	**125**	123	60	**100**	176	542

Liabilities to ING Groep N.V. mainly include long term funding.

NN Group has entered into the following financing arrangements with ING Group and with ING Bank.

- **Pooled Bank** Accounts: On 19 January 2012, NN Group entered into a pooled bank accounts agreement ("Fiat-en Rentestelsel") with ING Bank, to arrange for a current account deficit facility, and debit/credit interest on a set of pooled bank accounts of NN Group, whereby obligations of NN Group are secured by a right of pledge on bank accounts in favour of ING Bank.
- **WUB guarantees & indemnities:** NN Group has entered into certain guarantee agreements for the benefit of and with Westland/Utrecht Bank N.V. (WUB). NN Group has guaranteed:
  - all non-subordinated debt obligations of WUB (in relation to its funding) and of any of its subsidiaries entered into before 1 January 2013;
  - certain other obligations of WUB (in relation to its swap transactions), not covered by the guarantee under (i) above; and any
  - outstanding debt obligations under WUB's Debt Issuance Programme of 1997.

  Subsequently, NN Group has entered into certain unlimited indemnity agreements with ING Bank and ING Groep under which NN Group is indemnified by ING Bank for its obligations under each of the guarantees referred to above. The expiry date of last outstanding obligations covered by the guarantees is 25 March 2032. Under these guarantees in aggregate EUR 213 million was outstanding as at 31 December 2013.
- **ING U.S – ISDA guarantee:** NN Group has guaranteed the obligations under an ISDA Master Agreement entered into by a subsidiary of ING U.S. (which is currently 57% owned by ING Group). NN Group is indemnified by ING Group for this guarantee as outlined in an indemnity agreement between ING Group and the Company.
- **LOC Facility:** NN Group has entered into a Letter of Credit agreement ("LOC") with ING Bank on 29 April 2010, to the maximum facility amount of USD 185 million. Under this LOC Facility in aggregate EUR 116 million was outstanding as at 31 December 2013. All obligations under this LOC will expire at the end of 2014.
- **Senior Bridge Loan:** On 18 September 2013, NN Group (as Borrower) has entered into a senior loan agreement with ING Groep (as Lender), currently in the aggregate amount of EUR 1,000 million. The maturity date of this loan is 18 March 2014.
- **Revolving Credit Facility:** On 1 July 2013, NN Bank (as Borrower) has entered into a senior revolving credit facility agreement with ING Bank (as Lender) in the aggregate amount of EUR 250 million (under which currently no amounts have been drawn). The maturity date of this facility is 30 June 2015.
- **Senior Unsecured Notes:** On 1 July 2013, NN Bank N.V. has issued senior unsecured notes and placed the notes with ING Bank in the aggregate amount of EUR 270 million. The maturity date of these notes is 30 June 2023.
- **Pledge Financial Collateral Agreement:** On 20 December 2012, NN Group (as Pledgee) has entered into a Financial Collateral Pledge Agreement with ING Bank by which a right of pledge was created in favour of NN Group on certain securities held by ING Bank. The pledge serves as security for the duly repayment of cash deposits that NN Group has placed with ING Bank. This agreement will expire as of 20 March 2014.
- **Subordinated Loans:** NN Group has entered into perpetual subordinated loan agreements with ING Group. Reference is made to Note 14 "Subordinated loans".
- **Cash Investments:** ING Bank holds, for the benefit of NN Group cash positions in bank accounts, in the aggregate amount of EUR 829 million as at 31 December 2013 and investments in money market instruments, in the aggregate amount of EUR 5,383 million as at 31 December 2013.
- **Derivative transactions:** For general hedging purposes, NN Group has entered into derivative transactions with ING Bank on the basis of standard legal (master) derivative documentation.
- **Securities Lending:** NN Group (as Lenders) has entered into securities lending transactions with ING Bank N.V. (as Borrower) on the basis of customary legal (master) documents, lending debt securities, that are classified as available-for-sale instruments in the Consolidated balance sheet, to ING Bank in the aggregate amount of EUR 700 million during 2013, for general investment purposes. These debt securities remain to be recognised on the Consolidated balance sheet.
- **Securitisations:** NN Bank has entered into a Residential Mortgage-Backed Securities (RMBS) -transaction with ING Bank N.V. for the aggregate amount of EUR 400 million (of which currently EUR 400 million is outstanding).
- NN Bank has entered into a service agreement with Westland/Utrecht Hypotheekbedrijf N.V. and RVS Hypotheekbank N.V. on 1 July 2013, for providing certain management services in relation to a housing mortgage loan portfolio of Westland/Utrecht Bank N.V.
- In 2013 EUR 1.9 billion (2012: EUR 1.9 billion; 2011: EUR 1.8 billion) ING Bank mortgages were sold through the NN Group intermediary sales agents.

During 2013, due to the partly transfer of WestlandUtrecht Bank, certain assets and liabilities were transferred from ING Bank to NN Group. Reference is made to Note 49 "Companies and businesses acquired and divested".

Master claim agreement

In 2012, ING Groep N.V., ING U.S., Inc. and ING Insurance Eurasia N.V. entered into a master claim agreement to (a) allocate existing claims between these three parties and (b) agree on criteria for how to allocate future claims between the three parties. The master claim agreement contains further details on claim handling, conduct of litigation and dispute resolution. In 2014, NN Group replaced ING Insurance Eurasia N.V. as a party to the agreement.

Notes to the Consolidated annual accounts of NN Group continued

Indemnification and allocation agreement with ING Insurance Eurasia N.V.

ING Groep N.V. and NN Group N.V. have entered into an indemnification and allocation agreement, in which ING Group has agreed to indemnify NN Group for certain liabilities that relate to the business of or control over certain (former) U.S. and Latin American subsidiaries of NN Group in the period until 30 September 2013 or, if the relevant subsidiary was divested by NN Group after 30 September 2013, such later date of divestment. These liabilities mainly include contingent liabilities that may arise as a result of the initial public offering of ING U.S. (such as prospectus liability) and the sales of the Latin American businesses (such as claims under warranties and other buyer protection clauses), and the liabilities for the claims concerning the performance of certain interest-sensitive products that were sold by a former subsidiary of NN Group in Mexico and the claims filed by the purchaser of certain Mexican subsidiaries of NN Group claiming that the financial condition of the subsidiaries was not accurately depicted.

Key management personnel compensation

Transactions with key management personnel (Executive Board, Management Board and Supervisory Board) and post-employment benefit plans are transactions with related parties. Transactions with post-employment benefit plans are disclosed in Note 38 “Pension and other post-employment benefits”.

The governance of the insurance operations has changed during the reporting period and in early 2014. In 2013, all members of the Management Board ING Insurance Eurasia N.V. have become members of the Management Board ING Verzekeringen N.V. From 1 March 2014 onwards, due to the legal merger between ING Verzekeringen N.V. and ING Topholding N.V. and the subsequent change of the name of the entity to NN Group, all members of the Management Board ING Verzekeringen N.V. have become members of the Management Board NN Group. The disclosures in the below tables therefore are based on the members of the Management Board NN Group.

For the year 2013, the Management Board ING Topholding N.V. consisted solely of the members of the Executive Board of ING Groep N.V. The remuneration of this Management Board is borne by ING Groep N.V. and disclosed separately in the below tables.

Three of the Management Board members of NN Group are also Executive Board members of ING Groep N.V. The total remuneration of the Executive Board of ING Groep N.V. and Supervisory Board is borne by ING Groep N.V. The remuneration of the members and former members of the Executive Board and Supervisory Board are charged in full by ING Group to its subsidiaries, on the basis of a general allocation formula.

Due to the transfer of ING U.S. in 2013, the Executive Officers of ING U.S., Inc. are no longer considered key management personnel of NN Group.

In 2013 and 2012, the Dutch Government imposed an additional tax charge of 16% on income in excess of EUR 150,000 of each employee, subject to Dutch income tax. The tax is charged to NN Group and does not affect the remuneration of involved staff. The tax imposed on NN Group for relevant members of the Executive Board and Management Board amounts to EUR 1.6 million (2012; EUR 0.9 million), which is not included in the amounts in the table below.

Key management personnel compensation (Executive Board and Management Board)

2013 Amounts in thousands of euros	Executive Board of ING Groep N.V. [1,2]	Management Board [3]	Total
Fixed compensation			
– Base salary	3,309	3,351	6,660
– Pension costs	549	745	1,294
– Termination benefits		765	765
Variable compensation			
– Upfront cash		395	395
– Upfront shares		395	395
– Deferred cash		593	593
– Deferred shares		593	593
Total compensation	3,858	6,837	10,695

(1) Includes their compensation earned in the capacity as Executive Board members Mr. Hamers was appointed to the Executive Board on 13 May 2013 and Mr. Hommen stepped down from the Executive Board as per 1 October 2013.
(2) The members of the Executive Board of ING Groep N.V. were also members of the Management Board ING Topholding N.V. for the year 2013.
(3) Excluding members that are also members of the Executive Board of ING Groep N.V.

Notes to the Consolidated annual accounts of NN Group continued

Key management personnel compensation (Executive Board and Management Board)

2012 amounts in thousands of euros	Executive Board of ING Groep N.V. [1]	Management Board [2,3,4]	Total
Fixed compensation			
– Base salary	2,572	4,897	7,469
– Pension costs	311	893	1,204
– Termination benefits		1,873	1,873
Variable compensation			
– Upfront cash		2,296	2,296
– Upfront shares		160	160
– Deferred cash		240	240
– Deferred shares		2,604	2,604
– Other		339	339
Total compensation	2,883	13,302	16,185

(1) The members of the Executive Board of ING Groep N.V. were also members of the Management Board ING Topholding N.V. for the year 2013.
(2) Excluding members that are also members of the Executive Board of ING Groep N.V.
(3) Besides the compensation in his capacity as Board member, one of the Management Board members received a "buy-out" for the compensation that he would have received had he not resigned from his former employer. The buy-out consists of a cash amount and shares with a total value of EUR 500.000 at the grant date, which vests in the years 2012-2015.
(4) After publication of the 2012 Annual Account, a variable reward of EUR 84,375 was awarded to one board member, which was pending final approval. The 2012 figures were updated for this award.

Key management personnel compensation (Executive Board and Management Board)

2011 amounts in thousands of euros	Executive Board of ING Groep N.V. [1]	Management Board [2]	Total
Fixed compensation			
– Base salary	2,666	2,560	5,226
– Pension costs	315	481	796
Variable compensation			
– Upfront cash		643	643
– Upfront shares		341	341
– Deferred cash		511	511
– Deferred shares		945	945
Total compensation	2,981	5,481	8,462

(1) The members of the Executive Board of ING Groep N.V. were also members of the Management Board ING Topholding N.V. for the year 2013.
(2) Excluding members that are also members of the Executive Board of ING Groep N.V.

In 2013, the total remuneration costs amounted to EUR 3.9 million (2012: EUR 2.9 million; 2011: EUR 3.0 million) for members and former members of the Executive Board, of these remuneration costs EUR 1.9 million (2012: EUR 1.4 million; 2011: EUR 1.5 million) was allocated to NN Group. The total remuneration costs amounted EUR 1.1 million (2012: EUR 0.8 million; 2011: EUR 0.9 million) for members and former members of the Supervisory Board, of these remuneration costs EUR 0.5 million (2012: EUR 0.4 million; 2011: EUR 0.4 million) was allocated to NN Group.

Key management personnel compensation (Supervisory Board)

amounts in thousands of euros	**2013**	2012	2011
Base salary	**1,065**	806	857
Total compensation	**1,065**	806	857

The disclosures relating to remuneration of the Supervisory Board reflect the amounts relating to ING Group as a whole. The table above shows the fixed remuneration, expense allowances and attendance fees for the Supervisory Board for 2013, 2012 and 2011. From 1 January 2013, new VAT legislation became effective based on which Dutch members of the Supervisory Board are considered as self-employed persons who's compensation is subject to VAT in the Netherlands. The table presented above is including VAT of EUR 0.1 million for 2013.

Notes to the Consolidated annual accounts of NN Group continued

Loans and advances to key management personnel

	Amount outstanding 31 December			Average interest rate			Repayments		
amounts in thousands of euros	**2013**	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Executive Board members	**3,347**	2,338	1,968	**2.7%**	3.3%	3.6%	**500**		
Members of the Management Board		480	2,314	**0.0%**	3.1%	3.4%		60	388
Supervisory board members			282	**0.0%**		8.6%		282	
Total	**3,347**	2,818	4,564				**500**	342	388

Key management personnel compensation is generally included in Staff expenses in the profit and loss account, except for Key management personnel employed by entities that are presented as held for sale and discontinued operations in which case their compensation is included in the Total net result from discontinued operations.

Remuneration of the Executive Board and Management Board NN Group is recognised in the P&L in Staff expenses as part of Total expenses. The total remuneration of the Executive Board and Management Board NN Group as disclosed in the table above (for 2013: EUR 10.7 million) includes all variable remuneration related the performance year 2013. Under IFRS, certain components of variable remuneration are not recognised in the P&L directly, but are allocated over the vesting period of the award. The comparable amount recognised in Staff expenses in 2013, and therefore included in Total expenses in 2013, relating to the fixed expenses of 2013 and the vesting of variable remuneration of earlier performance years, is EUR 9.2 million.

Transactions with the Dutch State
Illiquid Assets Back-up Facility
ING Group and the Dutch State reached an agreement on an Illiquid Assets Back-Up Facility (“IABF”) on 26 January 2009. The transaction closed on 31 March 2009. The IABF covers the Alt-A portfolios of ING Insurance US, with a par value of approximately EUR 4 billion. Under the IABF, ING transferred 80% of the economic ownership of its Alt-A portfolio to the Dutch State. As a result, an undivided 80% interest in the risk and rewards on the portfolio was transferred to the Dutch State. ING retained 100% of the legal ownership of its Alt-A portfolio. The transaction price was 90% of the par value with respect to the 80% proportion of the portfolio of which the Dutch State had become the economic owner. The transaction price remains payable by the Dutch State to ING and will be redeemed over the remaining life. Furthermore, under the IABF ING pays a guarantee fee to the State and receives a funding fee and a management fee. As a result of the transaction ING derecognised 80% of the Alt-A portfolio from its balance sheet and recognised a receivable from the Dutch State. The transferred Alt-A portfolio was previously included in Available-for-sale debt securities. The Dutch State also acquired certain consent rights with respect to the sale or transfer of the 20% proportion of the Alt-A portfolio that is retained by ING.

Under the terms of the transaction as agreed on 26 January 2009, the overall sales proceeds amounted to EUR 2.6 billion at the transaction date. The amortised cost (after prior impairments) at the transaction date was also approximately EUR 2.7 billion. The transaction resulted in a loss in the first quarter of 2009 of EUR 154 million after tax (the difference between the sales proceeds and the amortised cost). The fair value under IFRS-EU at the date of the transaction was EUR 1.7 billion.

In order to obtain approval from the European Commission on ING Groep N.V.’s Restructuring Plan (see below), ING agreed to make additional Illiquid Assets Back-up Facility payments as part of the overall agreement with the European Commission to the Dutch State corresponding to an adjustment of the fees for the Illiquid Assets Back-up Facility. In total, these additional Illiquid Assets Back-up Facility payments as part of the overall agreement with the European Commission amounted to a net present value of EUR 1.3 billion before tax, which was recognised as a one-off charge for ING Groep N.V. in the fourth quarter of 2009.

The difference between the total sales proceeds and the fair value under IFRS-EU represents a “Government grant” under IAS 20. This government grant is considered to be an integral part of the transaction and is therefore accounted for as part of the result on the transaction. The transaction resulted in a reduction of the negative revaluation – and therefore an increase in equity – of EUR 0.7 billion (after tax).

The valuation method of the 20% Alt-A securities in the IFRS balance sheet is not impacted by the IABF. The methodology used to determine the fair value for these assets in the balance sheet under IFRS-EU is disclosed in Note 40 “Fair value of financial assets and liabilities”.

In connection with the sale of ING Direct USA, ING has reached an agreement with the Dutch State to adjust the structure of the Illiquid Assets Back-up Facility (IABF). This adjustment served to de-link the IABF from ING Direct USA by putting ING Bank in its place as counterparty for the Dutch State and became effective at the closing of the sale in February 2012. Under the terms of the original transaction ING Direct USA held on its balance the remaining 20% of the Alt-A portfolio, ensuring an alignment of interests between ING and the Dutch state regarding the performance of the portfolio.

Upon closing of the sale ING provided a counter guarantee to the Dutch State covering 25% of the 80% part of the Dutch State. This guarantee covered realised cash losses if they would exceed the 35% that is implied by the market value of the portfolio in June 2011. This adjustment therefore lowered the risk exposure for the Dutch State.

As at 31 December 2011, the remaining outstanding amount from the transaction price, including the unamortised components, that remained payable by the Dutch State was EUR 1.4 billion for the insurance operations.

In November 2012, ING restructured the IABF to effectively delink ING Insurance US from the IABF as another step towards a planned IPO of ING Insurance US. ING Insurance US transferred its Dutch State receivable of approximately EUR 1.1 billion (USD 1.4 billion) to ING Bank, and at the same time transferred legal title to 80% of the Alt-A portfolio to ING Bank. As at 31 December 2012, ING Insurance US therefore no longer has a receivable from the Dutch State in connection with the IABF. The securities were held in an ING Bank custody account for the benefit of the Dutch State (the portion for which the investment risk has been transferred to the Dutch State). Following the restructuring, ING Insurance US continues to own 20% of the Alt-A portfolio (the portion for which the economic ownership and investment risk remains for the risk of ING), but will going forward have the right to sell these securities, subject to a right of first refusal granted to ING Bank. ING has committed to the Dutch State it will not sell these securities to non-ING parties without the prior written consent of the Dutch state.

In December 2013, ING reached a final agreement with the Dutch State on the unwinding of the IABF. The terms of the agreement were approved by the EC. Under the agreement, the IABF in its current form was terminated, the regular guarantee fee payments were settled for an amount of EUR 0.4 billion and the other restrictions as part of the IABF agreement are no longer applicable. Furthermore, under the agreement, the Dutch State committed to sell the Alt-A securities in the market.

The total nominal value of the portfolio of securities held by the Dutch state decreased to EUR 4.6 billion at 31 December 2013 as a result of regular repayments on the underlying mortgages by homeowners and the first tranche of the divestment of securities with a notional outstanding amount of EUR 3.7 billion following the termination of the IABF. The remaining nominal value of the portfolio of securities held by the Dutch state as at 31 December 2013 was sold in January and early February 2014.

The State used all repayments and net fees received to pay off the loan from ING, reducing the amount outstanding to EUR 2.7 billion at 31 December 2013 (2012: EUR 7.8 billion). This remaining amount was fully repaid in January 2014.

Unwinding the IABF also resulted in eliminating a counter-guarantee that ING extended to the Dutch state in connection with the divestment of ING Direct USA in 2012.

European Commission Restructuring Plan
In 2009, ING Groep N.V. submitted a Restructuring Plan to the European Commission as part of the process to receive approval for the government support measures. By decision of 18 November 2009, the European Commission, formally approved the Restructuring Plan. The main elements of the Restructuring Plan as announced on 26 October 2009 are as follows:

- elimination of double leverage and significant reduction of ING's balance sheet;
- divestment of all Insurance and Investment Management activities;
- divestment of ING Direct USA;
- creation of a new company in the Dutch retail market composed of Interadvies (including Westland Utrecht and the mortgage activities of Nationale-Nederlanden) and the existing consumer lending portfolio of ING Retail in the Netherlands. This business, once separated, needs to be divested;
- restriction to be a price leader in any EU country for certain retail and SME banking products and restriction to acquire financial institutions or other businesses that would delay the repayment of the non-voting equity securities.

Notes to the Consolidated annual accounts of NN Group continued

These restrictions will apply for the shorter period of three years or until the non-voting equity securities have been repaid in full to the Dutch State:

- an agreement with the Dutch State to alter the repayment terms of 50% of the non-voting equity securities;
- repayment of EUR 5 billion of the non-voting equity securities issued in November 2008 to the Dutch State;
- additional Illiquid Assets Back-up Facility payments as part of the overall agreement with the European Commission will have to be made to the Dutch State in the form of fee adjustments relating to the Illiquid Assets Back-Up Facility which resulted in a one-off pre-tax charge to ING of EUR 1.3 billion in the fourth quarter of 2009;
- launch of a EUR 7.5 billion rights issue, in order to finance the repayment of 50% of the non-voting equity securities and a mitigation of the capital impact of the additional Illiquid Assets Back-up Facility payment as part of the overall agreement with the European Commission to the Dutch State of EUR 1.3 billion;
- execution of the Restructuring Plan before the end of 2013;
- if the overall return on the (remaining) non-voting equity securities (core Tier 1 securities) issued to the Dutch State is expected to be lower than 10% p.a., the European Commission may consider the imposition of additional behavioural constraints; and
- The calling of Tier 2 capital and Tier 1 hybrids will in the future be proposed case by case to the Commission for authorisation, for the shorter period of three years starting from the date of the Commission decision or up to the date on which ING has fully repaid the non-voting equity securities (core Tier 1 securities) to the Dutch State (including the relevant accrued interest of core Tier 1 coupons and exit premium fees).

ING announced in November 2012 that, together with the Dutch State, it had submitted significant amendments to the 2009 Restructuring Plan to the European Commission. The European Commission approved these amendments by Decision of 16 November 2012.

Amendments to the Restructuring Plan in 2012

The amendments to the 2009 Restructuring Plan as announced in November 2012 extended the time horizon and increased the flexibility for the completion of divestments and adjusted other commitments in light of the market circumstances, economic climate and more stringent regulatory requirements.

Under the amendments announced in 2012, the ultimate dates for divesting the insurance and investment management businesses changed as follows:

- The divestment of more than 50% of ING's interest in its Asian insurance and investment management operations has to be completed by year-end 2013, with the remaining interest divested by year-end 2016;
- The divestment of at least 25% of ING's interest in ING U.S. has to be completed by year-end 2013, more than 50% has to be divested by year-end 2014, with the remaining interest divested by year-end 2016;
- The divestment of more than 50% of ING's interest in its European insurance and investment management activities has to be completed by year-end 2015, with the remaining interest divested by year-end 2018; and
- As ING has committed to eliminate double leverage, proceeds from the divestments will be used to that end while ensuring adequate leverage ratios of the insurance holding companies.

A divestment of more than 50% of ING's interest as mentioned in this paragraph and furthermore below also means that ING Group (a) no longer has a majority of representatives on the Boards of these operations and (b) has deconsolidated these operations from ING Group's financial statements in line with IFRS-EU accounting rules.

Under the terms of the 2009 Restructuring Plan, ING was required to divest WestlandUtrecht Bank. However, due to market circumstances and changing regulatory requirements, a divestment of WestlandUtrecht did not occurred. Instead, under the 2012 amended Restructuring Plan, the commercial operations of WestlandUtrecht Bank were combined with the retail banking activities of NN Bank, which is to be divested as part of ING's insurance and investment management operations in Europe. The result has to be that NN Bank is a viable and competitive business, which stands alone and is separate from the businesses retained by ING. To this end ING already needs to ring-fence NN Bank up to the divestment of more than 50% of the European insurance and investment management activities.

On 1 July 2013 EUR 3.8 billion of WestlandUtrecht Bank's Dutch mortgage portfolio, EUR 0.1 billion of consumer lending and EUR 3.7 billion of Dutch savings portfolio were transferred to NN Bank. In addition approximately 400 of WestlandUtrecht Bank's employees were transferred to NN Bank. All assets and liabilities were transferred at the existing carrying value as previously included in ING Bank's balance sheet. This transaction was completed on 1 July 2013.

ING has committed amongst others, that NN Bank will reach certain targets for mortgage production and consumer credit until the date at which more than 50% of NN Group has been divested or until 31 December 2015 if the European Commission requires so. Furthermore, ING has agreed to a maximum ratio for mortgage production at ING Retail Banking Netherlands in relation to mortgage production of NN Bank until year-end 2015.

The 2009 Restructuring Plan included restrictions on acquisitions and price leadership for certain products in EU markets. These restrictions will continue to apply until 18 November 2015 or until the date on which more than 50% of each of the insurance and investment management operations has been divested, whichever date comes first.

Notes to the Consolidated annual accounts of NN Group continued

The price leadership restrictions in Europe have been amended to reflect specific conditions in various local markets. Under the amendments, the constraint no longer applied in the Netherlands, but ING Direct in the EU will refrain from offering more favourable prices than its best priced direct competitor among the ten financial institutions having the largest market share in the respective countries.

The calling or buy-back of Tier 2 capital and Tier 1 Hybrid Securities will continue to be proposed for authorisation to the European Commission on a case by case basis until ING has fully repaid the core Tier 1 securities to the Dutch State, but ultimately until 18 November 2014, whichever date comes first. Notwithstanding this restriction, ING was allowed to call the EUR 1.25 billion hybrid securities, originally issued by ING Verzekeringen N.V. on 21 December 2012.

The 2012 amended Restructuring Plan includes a repayment schedule for the remaining core Tier 1 securities to the Dutch State.

The implementation of the commitments and obligations set out in the (amended) Restructuring Plan will be monitored by a monitoring trustee who is independent of ING until 31 December 2015.

The 2012 amended Restructuring Plan was formally approved by the European Commission, by decision of 16 November 2012. As a result, the Commission closed its formal investigations as announced on 11 May 2012 and ING also withdrew its appeal at the General Court of the European Union, filed in July 2012. For principal legal reasons, the European Commission has continued with its appeal against the General Court ruling of March 2012. However, ING, the Dutch State and the European Commission agreed that any outcome of this procedure will not affect the approval of the amended Restructuring Plan. It is expected that this judgment will be rendered in April 2014.

Amendments to the Restructuring Plan in 2013
In November 2013 further amendments to the Restructuring Plan were announced. It was announced that the scope of the intended Initial Public Offering (IPO) of NN Group is expanded to include ING Life Japan. In that context, ING and the Dutch State have reached an agreement with the European Commission on revised timelines for the divestment process of ING Life Japan and ING's European insurance and investment management activities.

As part of the previously announced amended restructuring agreement with the EC in 2012, ING planned to divest more than 50% of ING's Asian insurance and investment management businesses by the end of 2013. ING successfully divested most of these businesses over the course of the past year. Under the revised timelines announced, ING will divest ING Life Japan in line with the divestment timeline for ING's European insurance and investment management activities. This means that the timeline to divest more than 50% of ING Life Japan has effectively been extended by two years to year-end 2015, which is also the unchanged timeline to divest more than 50% of ING's European insurance and investment management businesses. As part of the revised 2013 agreement, ING will accelerate the timeline to complete the divestment of 100% of ING's European insurance and investment management activities by two years to year-end 2016. Preparations for an base case IPO of NN Group in 2014 are on track.

The amendments to the restructuring plan of 2013 were formally approved by the European Commission by decision of 5 November.

Credit Guarantee Scheme
As part of the measures adopted to protect the financial sector, the Dutch State introduced a EUR 200 billion credit guarantee scheme for the issuance of medium term debt instruments by banks (the Credit Guarantee Scheme). ING Bank N.V. issued government guaranteed debt instruments under this Credit Guarantee Scheme ("Government Guaranteed Bonds") as part of its regular medium-term funding operations. The relevant Rules of the Credit Guarantee Scheme set forth the rules applicable to any issues under the Credit Guarantee Scheme and include information such as scope, denomination, tenor and fees payable by the banks. ING Group pays a fee of 84 basis points over the issued bonds to the Dutch State to participate in the Credit Guarantee Scheme. Reference is made to Note 15 "Debt securities in issue".

Other
Following the transactions as disclosed in this note, the Dutch State is a related party of ING Group. All other transactions between ING Group and the Dutch State are of a normal business nature and at arm's length.

In the framework of the transactions with the Dutch State disclosed in this note, certain arrangements with respect to corporate governance and executive remuneration were agreed with the Dutch State which were in place until the Illiquid Assets Back-up Facility was unwound. The State Nominees will stay in office for the term for which they were appointed.

Notes to the Consolidated annual accounts of NN Group continued

53 OTHER EVENTS

ING U.S.

IPO of ING U.S. in May 2013

In May 2013, approximately 65.2 million ordinary shares were sold in the Initial Public Offering ("IPO") of ING U.S., Inc., the U.S.-based retirement, investment and insurance business ("ING U.S."). Furthermore, on 29 May 2013, the underwriters of the IPO exercised in full their option to purchase approximately 9.8 million additional shares of ING U.S.

The total proceeds of these transactions were EUR 1,061 million (USD 1,385 million). The IPO reduced the ownership in ING U.S. from 100% to 71.25%.

These transactions did not impact the profit and loss account, as ING U.S. continued to be fully consolidated at that date. The transactions had a negative impact of approximately EUR 1,958 million on Shareholders' equity (parent), including EUR 19 million transaction costs after tax. This amount reflected the difference between the net proceeds of this offering and the IFRS-EU carrying value of the 28.75% interest divested in this IPO. This amount was recognised in "Other reserves".

Minority interests at that date increased with EUR 2,954 million due to the IPO of ING U.S. This amount represented 28.75% of the net asset value under IFRS-EU of ING U.S.

As a result, the total impact on Total equity was EUR 996 million.

Transfer of ING U.S.

At 30 September 2013, the remaining interest in ING U.S. was transferred to ING Groep N.V. by way of dividend in kind of EUR 6,826 million. As of the date of transfer, ING U.S. ceased to be consolidated; the results for the period until transfer are presented as discontinued operations. Reference is made to Note 33 "Discontinued operations".

As the transfer was performed at carrying value, the transaction did not impact Net result from continuing and discontinued operations. The transfer reduced Shareholder's equity with EUR 6,826 million as the reserves relating to ING U.S. were released. Furthermore Minority interest of EUR 3,010 million relating to ING U.S. was also transferred The impact on Total equity is therefore EUR –9,836 million. Reference is made to Note 13 "Equity".

Due to the transfer, the segments Insurance United States (US), Insurance US Closed Block VA, Investment Management US and the Corporate Line US ceased to exist.

NN Group's business in Japan

After carefully exploring and evaluating the options available for the divestment of ING Life Japan, it was concluded that a standalone divestment of ING Life Japan, including its Corporate Owned Life Insurance (COLI) and Closed Block VA businesses, is not feasible in a manner that would appropriately meet the demands of regulators and other stakeholders in ING Group and ING Life Japan. Therefore, ING Life Japan will be included with NN Group's European insurance and investment management businesses in the base case IPO of NN Group in 2014.

As a result, ING Life Japan and the Japanese Closed Block VA guarantees reinsured to ING Re ("NN Group's business in Japan") are no longer classified as held for sale and discontinued operations. The individual assets and liabilities of NN Group's business in Japan are therefore classified out of Assets and liabilities held for sale and presented in the usual consolidated balance sheet line items. The individual income and expenses of NN Group's business in Japan are classified out of Net result from discontinued operations and presented in the usual consolidated profit and loss account line items.

The comparative periods for the balance sheet have not been restated and therefore the assets and liabilities of NN Group's business in Japan are still included in Assets and liabilities held for sale for the year 2012. All comparative periods in the Consolidated profit and loss account have been restated for this decision and therefore income and expenses of NN Group's business in Japan are included in the continuing operations part of the statement for the years 2012 and 2011.

NN Group has adjusted its reporting structure to better align its segmentation according to the businesses that it comprises, their governance and internal management, and to reflect the decision to divest ING Life Japan with the IPO of NN Group. The new reporting segments for NN Group are as follows:

- Netherlands Life
- Netherlands Non-life
- Insurance Europe
- Japan Life
- Investment Management (IM)
- Other
- Japan Closed Block VA

Reference is made to Note 36 "Segments".

Japan Life, representing COLI business, and the Japan Closed Block VA, are reported separately to reflect the distinct nature of these two Japanese businesses. Under NN Group's existing accounting policies, the net insurance liability of any business line must be adequate at the 50% confidence level. The Japan Closed Block VA business had a reserve inadequacy at the 50% confidence level in October 2013. This inadequacy used to be offset by surplus adequacies in other businesses in the same business line that the Japan Closed Block VA business used to be part off, The separate reporting of the Japan Closed Block VA business line therefore triggered a charge of approximately EUR 575 million before tax to restore the reserve inadequacy. This charge resulted in a write-off of all deferred acquisition costs (DAC) related to the Japan Closed Block VA business of EUR 1,405 million partly compensated by a release of the Life insurance provision related to unearned revenues of EUR 867 million, and an increase in the life insurance provisions for the remaining amount.

Australia
In 2013, ING Australia Holdings Limited was transferred to ING Bank at carrying value. ING Australia Holdings Limited does not have operating activities.

Notes to the Consolidated annual accounts of NN Group continued

54 RECLASSIFIED BALANCE SHEET AND CASH FLOW STATEMENT

In order to provide comparable information based on a comparable scope of entities, reclassified Consolidated balance sheets and reclassified Consolidated cash flow statements are presented for the years 2012 and 2011 in addition to the IFRS-EU statements. In these reclassified statements all businesses that have been divested or presented as held for sale as at 31 December 2013, are treated as held for sale in 2012 and 2011.

Reclassified Balance sheet

	2013	Reclassified 2012	Reclassified 2011	IFRS 2012	IFRS 2011
Assets					
Cash and cash equivalents	**7,155**	4,347	9,707	5,389	11,577
Financial assets at fair value through profit or loss:					
– trading assets	**736**	586	503	586	534
– investments for risk of policyholders	**39,589**	43,821	43,075	98,765	116,438
– non-trading derivatives	**3,126**	4,662	5,157	5,107	7,285
– designated as at fair value through profit or loss	**482**	2,696	29	2,000	2,616
Available-for-sale investments	**61,014**	68,316	60,646	119,305	133,604
Loans and advances to customers	**25,319**	17,676	20,870	25,823	32,928
Reinsurance contracts	**252**	266	373	5,290	5,870
Investments in associates	**1,028**	1,265	1,435	1,352	1,526
Real estate investments	**764**	799	865	805	954
Property and equipment	**164**	203	243	338	469
Intangible assets	**392**	437	510	1,018	1,972
Deferred acquisition costs	**1,353**	3,142	3,404	4,549	10,204
Other assets	**3,754**	4,558	5,670	6,735	9,631
Total assets excluding assets held for sale	**145,128**	152,772	152,488	277,062	335,608
Assets held for sale	**630**	185,981	183,120	61,691	
Total assets	**145,758**	338,753	335,608	338,753	335,608
Equity					
Shareholder's equity (parent)	**14,227**	26,423	23,412	26,423	23,412
Minority interests	**68**	217	62	217	62
Total equity	**14,295**	26,640	23,474	26,640	23,474
Liabilities					
Subordinated loans	**2,892**	2,947	4,367	2,947	4,367
Debt securities in issue		773	2,934	1,910	3,436
Other borrowed funds	**4,817**	5,293	5,876	7,442	7,307
Insurance and investment contracts	**111,551**	123,013	121,683	229,950	278,833
Customer deposits and other funds on deposit	**5,769**				
Financial liabilities at fair value through profit or loss:					
– non-trading derivatives	**1,843**	2,610	1,696	3,258	4,404
Other liabilities	**4,125**	5,920	5,808	10,951	13,787
Total liabilities excluding liabilities held for sale	**130,997**	140,556	142,364	256,458	312,134
Liabilities held for sale	**466**	171,558	169,770	55,655	
Total liabilities	**131,463**	312,113	312,134	312,113	312,134
Total equity and liabilities	**145,758**	338,753	335,608	338,753	335,608

In the 2012 and 2011 reclassified balance sheets, Assets and liabilities held for sale includes ING U.S., the insurance and investment management businesses in Asia ("Asia") excluding NN Group's business in Japan and ING Hypotecaria. In these reclassified balance sheets the assets and liabilities of NN Group's business in Japan are included on a line by line basis.

In the 2012 and 2011 IFRS balance sheets, Assets and liabilities held for sale includes the insurance and investment management businesses in Asia ("Asia") including NN Group's business in Japan.

Notes to the Consolidated annual accounts of NN Group continued

Reclassified Cash flow statement

		Reclassified			IFRS
	2013	2012	2011	2012	2011
Cash and cash equivalents at the beginning of the period/year	**6,717**	11,577	6,666	11,577	8,646
Net cash flow from operating activities	**–8,247**	–448	–1,587	723	2,068
Net cash flow from investing activities	**8,126**	–806	1,548	–2,881	2,477
Net cash flow from financing activities	**457**	–4,088	3,055	–2,737	–1,558
Net cash flow from entities held for sale		501	1,870		
Effect of foreign exchange rate changes	**182**	–19	25	35	–56
Closing cash and cash equivalents at the end of the period/year	**7,235**	6,717	11,577	6,717	11,577

55 SUBSEQUENT EVENTS

Defined Benefits Pension Fund in The Netherlands

In February 2014 ING reached an agreement with the trade unions, the ING Pension Fund, the Central Works Council and the Association of Retired ING Employees (VSI) to transfer all future funding and indexation obligations of ING's current closed defined benefit plan in the Netherlands to the Dutch ING Pension Fund. The agreement has made the ING Pension Fund financially independent from ING.

The key elements of the agreement are:

- Responsibility for future indexation and funding thereof will be transferred to the Dutch ING Pension Fund;
- ING's obligation to restore the coverage ratio of the Dutch ING Pension Fund ceased;
- The cross guarantees between ING Bank and NN Group to jointly and severally fund the obligations of the Dutch ING Pension Fund are terminated;
- ING paid EUR 549 million (before tax) to the Dutch ING Pension Fund for the removal of these obligations; and
- ING will reduce the employees' own contribution to the pension premium under the new defined contribution plan by approximately EUR 80 million over a 6 year period.

As part of the agreement, ING Bank and NN Group are released from all financial obligations arising from the Dutch defined benefit plan. Accordingly, this plan will no longer be accounted for as a defined benefit plan and, consequently, it will be removed from the balance sheet. The removal of the net pension asset related to the Dutch defined benefit pension plan from the balance sheet of approximately EUR 0.6 billion after tax and the payment to the Dutch ING Pension Fund of EUR 0.5 billion (EUR 0.4 billion after tax) will result in a charge of approximately EUR 1.1 billion after tax to be recognised in 2014. Of this impact, EUR 0.4 billion will be attributed to NN Group.

Accounting for GMDB in Japan Closed Block VA

NN Group applies fair value accounting on the reserves for Guaranteed Minimum Death Benefits (GMDB) of the Japan Closed Block VA from 1 January 2014. This improves the alignment of the carrying value of the GMDB reserves with their market value, better reflects the economic value of these guarantees and improves the alignment of the accounting for the guarantees with the accounting for the related hedges. Furthermore, this move makes the accounting for the GMDB consistent with the accounting on the reserves for Guaranteed Minimum Accumulation and Withdrawal benefits. As at 1 January 2014, the difference between the current carrying value and the estimated fair value of the GMDB reserves was EUR 219 million (before tax). Implementation of fair value accounting for GMDB represents a change in accounting policy under IFRS-EU with a transitional impact of EUR 165 million after tax being reflected only in Shareholder's equity as of 1 January 2014. Results for comparative periods will be restated accordingly.

Risk management

amounts in millions of euros, unless stated otherwise

INTRODUCTION

Risk taking is integral to the business model for insurance, investment management, and banking organisations such as NN Group. NN Group has developed and implemented a risk management structure that is designed to identify, assess, control and monitor the risks associated with its business. Through its risk management practices, NN Group seeks to meet its obligations to policyholders and other customers and creditors, manage its capital efficiently, and comply with applicable laws and regulations.

NN Group's approach to risk management is based on the following components:
- ***Risk management structure and governance systems.*** NN Group's risk management structure and governance systems follow the "three lines of defence" model, which outlines the decision-making, execution and oversight responsibilities for the implementation of NN Group's risk management. These structure and governance systems are embedded in each of NN Group's organisational layers, from the holding level to the individual business units.
- ***Risk management framework.*** NN Group's risk management framework takes into account the relevant elements of risk management, including its integration into NN Group's strategic planning cycle, the management information generated, and a granular risk assessment.
- ***Risk management policies, standards and processes.*** NN Group has a comprehensive set of risk management policies, standards and processes, which are updated regularly to align with market leading practices, applicable laws and regulations, and to changes in NN Group's business and risk profile. These risk management policies, standards and processes apply throughout NN Group and are used by NN Group to establish, define, and evaluate NN Group's risk tolerance levels and risk control processes and to ensure that the tolerance levels and policies are communicated throughout the organisational structure.

ORGANISATIONAL RISK MANAGEMENT STRUCTURE

MANAGEMENT BOARD AND ITS (SUB)COMMITTEES

The Management Board is responsible for defining, installing, and monitoring the risk management organisation in order to ensure its control systems are effective. The Management Board or its subcommittees approve all risk management policies as well as the quantitative and qualitative elements of NN Group's risk appetite. The Management Board reports and discusses these topics with the Risk Committee, which is a sub-committee of the Supervisory Board, on a quarterly basis.

While the Management Board retains ultimate responsibility for NN Group's risk management, it has delegated certain responsibilities to a committee of the Management Board, the Risk and Finance Committee, which is responsible for day-to-day risk and finance related risk management decision-making, processes and controls. The Risk and Finance Committee has further delegated certain tasks to sub-committees, which advise the Risk and Finance Committee on risk and finance-related topics. These sub-committees are the Asset and Liability Committee, the Non-Financial Risk Committee, the Product Risk Committee, the Model Committee, the Finance Committee, the Investment Committee, and the Crisis Committee.

Chief risk officer

The chief risk officer of NN Group (the **CRO**) is a member of the Management Board. The CRO bears primary and overall responsibility for NN Group's risk management. The CRO must ensure that both the Management Board and the Supervisory Board are at all times informed of, and understand, the material risks to which NN Group is exposed. Each business unit has its own chief risk officer, who reports (directly or indirectly) to the CRO.

The CRO is primarily responsible for:
- setting risk policies;
- formulating NN Group's risk management strategy and ensuring that it is implemented throughout NN Group;
- monitoring compliance with NN Group's overall risk policies;
- supervising the operation of NN Group's risk management and business control systems;
- reporting of NN Group's risks and the processes and internal business controls; and
- making risk management decisions with regard to matters which may have an impact on the financial results of NN Group or its reputation, without limiting the responsibility of each individual member of the Management Board in relation to risk management.

Supervisory Board and its committees

The Supervisory Board is responsible for supervising the Management Board and the general affairs of the Company and its business. For risk management purposes the Supervisory Board is assisted by two committees:

- ***Risk Committee***. The Risk Committee assists the Supervisory Board in supervising and advising the Management Board with respect to NN Group's risk management strategy and policies.
- ***Audit Committee.*** The Audit Committee reviews and assesses the applicable accounting standards and the Company's compliance therewith, the going concern assumption, significant financial risk exposures, significant adjustments resulting from audit, compliance with statutory and legal requirements and regulations, tax and tax planning matters with a material impact on the financial statements, and detection of fraud and other illegal acts.

Three lines of defence model

The three lines of defence model, on which NN Group's risk management structure and governance is based, defines three risk management levels, each with distinct roles, decision authorities, execution responsibilities, and oversight responsibilities. This framework ensures that risk is managed in line with the risk appetite as defined by the Management Board, ratified by the Supervisory Board, and cascaded throughout NN Group.

- ***First line of defence***: the CEOs of the business units of NN Group and the other management board members of the business units have primary accountability for the performance of the business, operations, compliance and effective control of risks affecting their businesses. They underwrite the insurance products that reflect local needs and thus know their customers and are well-positioned to act in both the customers' and NN Group's best interest.
- ***Second line of defence***: oversight functions at the Head Office and at the business units with a major role for the risk management organisation, headed by the CRO and the corporate legal and compliance function. The membership of the CRO on the Management Board ensures that risk management issues are heard and discussed at the highest level. The CRO steers a functional, independent risk organisation, which supports the commercial departments in their decision-making, but which also has sufficient countervailing power to prevent risk concentrations and other forms of unwanted or excessive risks. These oversight functions:
  - develop the policies and guidance for their specific risk and control area;
  - encourage and objectively challenge/monitor sound risk management throughout the organisation and coordinate the reporting of risks;
  - support the first line of defence in making proper risk-return trade-offs;
  - have escalation/veto power in relation to business activities that are judged to present unacceptable risks to NN Group.
- ***Third line of defence***: corporate audit services (**CAS**). CAS provides an independent assessment of the standard of internal control with respect to NN Group's business and support processes, including governance, risk management and internal controls.

RISK MANAGEMENT FRAMEWORK

NN Group's risk management framework comprises a series of sequential steps, through which NN Group seeks to identify, measure and manage the risks to which it is exposed. The diagram below sets out these steps.

Risk management continued

- ***Objective setting***. Business planning and priority setting is undertaken through an annual medium term planning (**MTP**) process, which is integrated with NN Group's own risk and solvency assessment (**ORSA**) process. At the start of the MTP process, NN Group establishes strategic objectives at a holding level. Those strategic objectives are used to establish and define NN Group's risk appetite, which consists of quantitative and qualitative statements defining those risks NN Group wishes to acquire, to avoid, to retain and/or to remove. The strategic objectives are cascaded through the enterprise and business unit plans and evaluated against the risk appetite. Targets and risk limits for the business units are derived from NN Group's overall strategy and risk appetite framework.
- ***Event identification***. NN Group identifies events that may potentially impact its risk position, recognising that uncertainties exist, and that NN Group cannot know with certainty which events will occur and when,, or what the outcome or impact would be if it did occur. As part of event identification, NN Group considers both external and internal factors that affect event occurrence. External factors include economic, business, natural environment, political, demographic, social and technological factors. Internal factors reflect NN Group's choices and concern such matters as infrastructure, personnel, process and technology.
- ***Risk assessment***. NN Group, centrally at the executive level and at the business unit level, considers how events identified in the previous step might affect the achievement of NN Group's strategic objectives. Key risks are assessed on a regular basis and, where appropriate, this analysis is supported by models (such as for NN Group's economic capital calculation; see also "NN's Risk Profile—Economic capital"). NN Group conducts regular top-down assessments of its key risks, both at the holding level and at the level of the individual business units.
- ***Risk response and control***. Once a risk is assessed, NN Group identifies potential responses to those risks and analyses the mitigating impact of those responses. Taking into account the risk tolerances set out in the risk appetite framework NN Group designs its response for each assessed risk. Risk and control activities are performed throughout NN Group, at all organisational levels.
- ***Information and communication***. Communication of information is a key part of NN Group's risk management framework. Risk management officers, departments, and committees within NN Group are informed regularly of NN Group's position compared to its strategic objectives and its risk appetite to enable them to monitor developments and to timely take appropriate decisions. Comprehensive reports on NN Group's financial and insurance risks, and on its non-financial risks, are prepared and discussed every quarter. These reports analyse, amongst others, developments in financial markets and their impact on NN Group's capital position, the effectiveness of NN Group's hedge positions, and any incidents that may have occurred.
- ***Monitoring***. The effectiveness of NN Group's risk management itself is also monitored. Regular monitoring ensures that risk management is maintained at all organisational levels of NN Group and is carried out by all three lines of defence.

RISK MANAGEMENT POLICIES, STANDARDS AND PROCESSES

NN Group has a comprehensive set of risk management policies, standards and processes in place. These policies, standards and processes are regularly updated to align with industry practices and changes in NN Group's business profile, and to comply with applicable laws and regulations. Key areas of risk management for which NN Group has established policies, standards and processes are set out below.

RISK APPETITE FRAMEWORK

NN Group's risk appetite framework determines which risks NN Group wishes to take, to avoid, to retain and/or to remove. The risk appetite framework consists of qualitative and quantitative statements as to risk preferences, risk tolerances, risk limits and risk controls. The risk appetite framework is based on three key quantitative measures that aim to:

- ensure cash capital is sufficient following a 1 in 20 annual risk sensitivity; NN Group quantifies this using regulatory capital sensitivities and potential capital management actions.
- ensure economic solvency is sufficient following a 1 in 20 annual risk sensitivity; NN Group quantifies this risk using available financial resources/economic capital and related sensitivities. Available financial resources (AFR) is a before tax market value surplus defined as market value of assets less market value of liabilities.
- ensure IFRS results before tax are sufficient following a 1 in 20 annual risk sensitivity; NN Group quantifies this risk using sensitivities on the IFRS results before tax.

In addition to the key quantitative measures, qualitative statements form part of the risk appetite framework that serve to guide risk taking for conduct in the areas of underwriting, Asset and Liability management (**ALM**), investing and operations. These statements support NN Group's strategy, contribute to avoiding unwanted or excessive risk taking, and aim to further optimise the use of capital. The qualitative risk appetite statements are organised under the following categories:

- ***Managing underwriting***. Underwriting and product development is paramount to the insurance business. NN Group strives for appealing, easy to understand and transparent value-for-money products that can be effectively risk-managed over the expected life of the contract.
- ***ALM***. NN Group aims to match its asset portfolio to its liabilities with optimal strategic asset allocation and by limiting any mis-matches to an acceptable degree. The ALM process is integral in ensuring adequate liquidity for policyholder obligations.
- ***Managing investments***. NN Group has an appetite for investments that will provide an appropriate risk and return for NN's policyholders and shareholders.
- ***Managing operations***. Under this category, NN Group stipulates requirements for managing reputation, business continuity, processes and controls, as well as providing a safe and engaging work environment for a competent workforce.

RISK POLICY FRAMEWORK
NN Group's risk policy framework ensures that all risks are managed consistently and that NN Group as a whole operates within its risk tolerances. The policies/minimum standards focus on risk measurement, risk management and risk governance. To ensure that policies are efficient and effective they are governed by the risk committee structure. Potential waivers to the policies have to be approved through the respective risk committees.

RISK LIMITS
The quantitative risk appetite statement is translated into quantitative risk limits for the business units. The business units report regularly on their risk profile compared to applicable risk appetite and risk limits.

PRODUCT APPROVAL AND REVIEW PROCESS
The product approval and review process (**PARP**) has been developed to enable effective design, underwriting, and pricing of all products as well as to ensure that they can be managed throughout their lifetime. This process establishes requirements as to the product risk profile features to ensure that products are aligned with NN Group's strategy. The PARP takes into account customer benefits and product suitability, expected sales volumes, value-oriented pricing metrics and relevant policies. It includes requirements and standards to assess risks as per the risk categories, as well as the assessment of the administration and accounting aspects of the product.

NEW INVESTMENT CLASS AND INVESTMENT MANDATE PROCESS
NN Group maintains a new investment class approval and review process (**NICARP**) for approving new investment classes of assets. At the holding level, NN Group establishes a global list of asset classes in which the business units may invest. Each business unit also maintains a local asset list that is a subset of the global asset list. The local asset list includes asset allocation parameters, which prescribe the relative proportions in which the relevant business unit may invest in different asset classes, as well as asset, industry, regional, and credit concentration limits.

OWN RISK AND SOLVENCY ASSESSMENT AND INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS
NN Group (and each of its regulated insurance subsidiaries) produces an own risk and solvency assessment (**ORSA**) at least once a year. In the ORSA, NN Group articulates its strategy and risk appetite, describes its key risks and how they are managed, analyses whether or not its risks and capital are appropriately modelled and how susceptible the capital position is to shocks through stress and scenario testing. Stress testing examines the effect of exceptional but plausible scenarios on the capital position of NN Group. Stress testing can also be initiated outside ORSA, either internally or by external parties such as De Nederlandsche Bank (DNB) and European Insurance and Occupational Pensions Authority (EIOPA). The ORSA includes an overall assessment of NN Group's solvency position in light of the risks it holds. NN Group's banking and investment management operations, at least once a year, run an internal capital adequacy assessment process (**ICAAP**) in conformity with Basel II requirements. ICAAP tests whether current capital positions are adequate for the financial risks that the relevant NN Group entities bear.

IFRS RESERVE ADEQUACY TEST
All of NN Group's operating insurance entities need to ensure that their IFRS insurance reserves are tested for adequacy taking into account the insurance premium rate levels and the uncertainty of future returns on investments. The reserve adequacy test is executed by evaluating insurance liabilities on current best estimate actuarial assumptions plus a risk margin to ensure that the reserves remain adequate based on these assumptions. The assumed investment earnings are a combination of the run-off of portfolio yields on existing assets, anticipated new premiums and reinvestment rates in relation to maturing assets.

Risk management continued

NON-FINANCIAL RISK DASHBOARD

Non-financial risks are monitored through the non-financial risk dashboard (**NFRD**) process at all levels in the organisation. The NFRD is one tool which provides management at all organisational levels with information about key operational, compliance and legal risks and incidents. The exposure of NN Group to non-financial risks is regularly assessed through risk assessments and monitoring. After identification of the risks, each risk is assessed as to its likelihood of occurrence as well its potential impact should it occur. Actions required to mitigate the risks are identified and tracked until the risk is either reduced, if such a reduction is possible, or accepted as a residual risk if the risk cannot be mitigated.

MODEL GOVERNANCE AND VALIDATION

NN Group's model governance and validation function seeks to ensure that NN Group's models achieve their intended purpose. Models and their disclosed metrics are approved by the Model Committee. The findings of the model validation function are also reported regularly to the Model committee. This committee is responsible for modelling policies, processes, methodologies, and parameters which are applied within NN Group. Furthermore, the model validation function carries out validations of internal models related to Solvency II. To ensure independence from the business and other risk departments, the model validation department head reports directly to the CRO.

RECOVERY PLANNING

NN Group has determined a set of measures for early detection of and potential response to a crisis should it occur. These include monitoring indicators which are expected to provide early-warning of emerging crises, advance preparation of options to raise or release capital, and allocation of roles and responsibilities in case of a crisis, and other practical arrangements that may be required depending on the type of crisis.

RISK PROFILE

MAIN TYPES OF RISKS

The following principle types of risk are associated with NN Group's business:

- ***Insurance risk***. Insurance risks are the risks related to the events insured by NN Group and comprise actuarial and underwriting risks such as mortality, longevity, morbidity, and non-life insurance risks, which result from the pricing and acceptance of insurance contracts.
- ***Business risk***. Business risks are the risks related to the management and development of the insurance portfolio but excludes risks directly connected to insured events. Business risk includes policyholder behaviour risks and expense risks. Business risks can occur because of internal, industry, or wider market factors.
- ***Market and credit risk***. Market risk is the risk of potential losses due to adverse movements in financial market variables. Counterparty default risk is the risk of potential losses due to default by NN Group's debtors (including bond issuers), trading counterparties or mortgage holders. In relation to market and credit risk, NN Group distinguishes between its general account businesses and its separate account businesses.
  - General account businesses. The general account businesses are those in which NN Group bears the market and credit risk. NN Group's earnings from the general account businesses depend not only on underwriting, but also on the performance of NN Group's investment portfolio. The general account includes NN Group's life insurance and non-life insurance businesses. Market and credit risks include (i) equity risk, (ii) real estate risk, (iii) interest rate risk, (iv) credit spread risk, (v) counterparty default risk and (vi) foreign exchange risk.
  - Separate account businesses. The separate account businesses are those in which the policyholder bears the market and credit risk. NN Group's earnings from the separate account businesses are primarily driven by fee income. However, in the case of variable annuities and the guaranteed separate account pension business in the Netherlands, NN Group retains risk associated with the guarantees provided to its policyholders. Businesses in this category are (i) the variable annuities (VA) portfolio, (ii) the group pension business in the Netherlands for which guarantees are provided, and (iii) other separate account business, primarily the unit linked business.
- ***Liquidity risk***. Liquidity risk is the risk that one of NN Group's entities does not have sufficient liquid assets to meet its financial obligations when they become due and payable, at reasonable cost and in a timely manner.
- ***Operational risk***. Operational risk is a non-financial risk that includes direct or indirect losses resulting from inadequate or failed internal processes (including as a result of fraud and other misconduct), systems failure (including information technology and communications systems), human error, and certain external events.
- ***Compliance risk***. Compliance risk is the risk of impairment of NN Group's integrity. It is a failure (or perceived failure) to comply with NN Group's Business Principles and the Compliance Risk-related laws, regulations and standards that are relevant to the specific financial services offered by a business or its ensuing activities, which could damage NN Group's reputation and lead to legal or regulatory sanctions and financial loss.

ECONOMIC CAPITAL

Economic capital is NN Group's internal measurement of the amount of capital required for the risks that NN Group is exposed to through its balance sheet, its business and its daily operations.

Risk management continued

NN Group determines economic capital as the amount of additional assets it must hold above the market value of its liabilities in order to withstand adverse movements in one year, based on a 99.5% level of confidence and before any adjustment for tax impact. A 99.5% level of confidence means that NN Group would be able to fulfil its obligations to its policyholders without requiring additional capital in 199 out of 200 annual scenarios. NN Group's economic capital is calculated in three steps.

- In the first step, NN Group models the market and credit risks to which NN Group's balance sheet is exposed using 50,000 stochastic real-world scenarios over a one-year time horizon, which are calibrated to historically observed market data. The model then quantifies the extent to which NN Group's assets must exceed its liabilities to ensure it is able to fulfil its policyholder obligations at a 99.5% level of confidence. This constitutes the economic capital for market and credit risk.
- In the second step, NN Group models insurance and business risk by defining stress scenarios at a 99.5% confidence interval using empirical data, when available, and expert judgement on the characteristics of NN Group's portfolio. With regards to longevity and expense risk, these stress scenarios are measured over a multi-year horizon. Mortality, morbidity, and property and casualty (P&C) risks are measured over a one-year horizon. These measurements are made at the individual business unit level and are modelled to capture the offsetting of certain risks, which occurs where certain risk events preclude the possibility of others. For example, if risk capital is based on the risk event that people will live longer (longevity risk), then the risk event that the same people will die earlier (mortality risk) is precluded. These risks are also aggregated with each other, as well as with the market and credit risk calculated in step one, using correlations based on expert judgement. As a result of this aggregation, the economic capital for the aggregate risk is less than the sum of the economic capital for the individual risks because the probability of all of the various risks materialising concurrently is less than 0.5%. This difference is the diversification benefit, reflecting the benefits of NN Group's risk pooling.
- In the third step, NN Group adds economic capital for operational risks and for business units that are not reflected in the internal model, without recognising any further diversification benefit. The economic capital for operational risk is based on the draft of the standard formula set out in Solvency II. Certain business units do not form part of NN Group's internal model. Depending on the type of business, the economic capital for these business units is approximated using commercial capital requirements, the Insurance Group Directive, local regulatory capital requirements or IFRS equity net of intangibles. See *"-Economic capital for entities outside of NN Group's internal model"*.
- NN Group's internal model uses, among others, statistics, observed historical market data, insurance policy terms and conditions, and NN Group's own judgment, expertise and experience, and includes assumptions as to the levels and timing of payment of premiums, benefits, claims, expenses, interest rates, credit spreads, investment portfolio performance (including equity market and debt market returns), longevity, mortality, morbidity and product persistency, and customer behaviour (including with respect to surrenders or extensions). NN Group follows strict governance, periodically revisiting these assumptions and regularly challenging them. NN Group also models risk to regulatory capital and IFRS results using models. As such, NN Group's economic capital calculations and risk sensitivities should be considered as estimates.

The table below sets out NN Group's economic capital by risk category as at 31 December 2013 and 2012, respectively.

Economic capital by risk category

	2013	2012
Insurance risk	**1,697**	1,918
Business risk	**2,128**	2,539
Market and credit risk:		
– General account	**3,211**	3,214
– Separate account	**964**	930
Diversification benefit between risk categories	**–2,505**	–2,783
Total modelled risk insurance operations	**5,495**	5,818
Operational risk	**531**	566
Economic capital of other business; NN Bank, IIM units on local required capital levels and other non-modelled	**988**	2,335
Total	**7,014**	8,719

The following sections will explain the risk profile, risk mitigation and risk measurement of all the categories above except for the diversification benefits between the different risk categories. Diversification benefits are recognised both on the risk category level (reflecting, for instance, diversification benefits between different countries, and diversification benefits between different risks within a particular risk category), as well as diversification benefits between risk categories. The diversification benefit between insurance risk, business risk, and market and credit risk of both the separate and general account decreased from 2012 to 2013. Insurance and business risks diversify well with each other and also with the market and credit risks, and in 2013 the reduced exposure to insurance and business risk resulted in an overall lower diversification benefit for NN Group.

The overall economic capital for NN Group decreased by over EUR 1.7 billion from 2012 to 2013 primarily because NN Group sold most of the Asian business units. This is further explained in the “Economic capital for entities outside NN Group’s internal model” section.

Impact of scope change on economic capital for 2012
The 2012 economic capital numbers have been updated to reflect the change in scope from Insurance Europe as reported in the 2012 Annual Report to numbers comparable to those reported for 2013.

Economic capital 2012 comparable in scope to 2013

	2012
As reported for ING Insurance EurAsia (excluding discontinued operations) in 2012	5,868
Changes in model and methodology	438
Include Japan Life and Japan Closed Block VA as modelled business after diversification	689
Include the other Asian held-for-sale business units as unmodelled business	1,504
Include legacy units and holding as unmodelled business	220
Economic capital for 2012 for NN Group	8,719

In 2013, NN Group continued to refine and update the internal model to prepare for the Solvency II Directive, increasing economic capital by EUR 438 million. Modelling changes included updates to the correlation matrix and a more granular modelling of asset risk.

Also, Japan Life and Japan Closed Block VA businesses were classified as discontinued operations until 4th quarter 2013 and therefore were not included in the scope of NN Group’s 2012 risk disclosures. The scope of the current disclosure includes the Japan Life and Japan Closed Block VA businesses, which were modelled using the internal model after diversification. The Asian held for sale insurance businesses for which transactions have been concluded during 2013 are included in the adjusted 2012 figures using 150% of the Solvency I requirements. The economic capital of other entities that are part of NN Group but were not reported in 2012 as part of ING Insurance Eurasia have been approximated with IFRS equity, as they were held for sale.

Solvency II
In 2013 NN Group continued the internal model pre-application process with regulators in order to ensure the model is approved as an internal model under the Solvency II regulations and is fit for local use in all of its regulated entities. Over the course of 2014, NN Group intends to move its economic capital calculations to full Solvency Capital Requirements (**SCR**), in accordance with the current draft of the Solvency II Directive. Differences in the calculation of SCR compared to current calculations of economic capital can arise from Omnibus II Directives, in particular related to long term guaranteed business. NN Group’s economic capital ratio, calculated as available financial resources/economic capital will be adjusted to own funds/SCR.

The table below provides a summary of the largest expected differences in the calculation methodology of available and required capital from the current internal methodology to Solvency II, as interpreted by NN Group. Several of the Solvency II items have not yet been defined well enough to provide a reliable estimate of the impact, but each one could potentially be material.

Risk management continued

	Available capital		Required capital	
	Current Available financial resources	**Solvency II Own funds**	**Current Economic capital**	**Solvency II capital requirement (SCR)**
Last liquid point [1]	20 years	20 years	30 years	20 years
Illiquidity adjustment	Illiquidity premium	Volatility balancer / matching adjustment	Illiquidity premium	Volatility balancer / matching adjustment
After-tax	No	Yes	No	Yes
Credit risk adjustment	No	Yes	No	Yes
Contract boundaries [2]	Internal model	Solvency II regulation	Internal model	Solvency II regulation
Loss absorption of taxes and fungability	Full capital fungability assumed	After tax and fungability is restricted	Full capital fungability assumed	Test the loss absorption capacity
Risk Margin	Market Value Margin based on internal approach	Less diversify-cation recognised than internal approach	Not applicable	Not applicable
Supervisory Action	Not applicable	Not applicable	Not applicable	Potential for capital add-on

[1] The last liquid point is the last point on the swap curve considered to be liquid and is used to define the discount rate under Solvency II.
[2] The future date at which a policy may be terminated or varied in such a way that, pursuant to the expected requirements of Solvency II, cash flows from premiums may not be recognised.

INSURANCE RISK
Insurance risks are the risks related to the events insured by NN Group and comprise actuarial and underwriting risks such as mortality, longevity, morbidity, and non-life insurance risks, which result from the pricing and acceptance of insurance contracts.

Risk profile
Mortality risk occurs when claims are higher due to higher mortality experience (for instance in relation to term insurance). Longevity risk is the risk that insured persons live longer than expected due to mortality improvements. While NN Group is exposed to both longevity and mortality risks, these risks do not fully offset one another as the impact of the longevity risks in the pension business in the Netherlands is significantly larger than the mortality risk in the other businesses, not only due to the size of the business but also due to the current low interest rate environment. Changes in mortality tables impact the future expected benefits to be paid and the present value of these future impacts is reflected directly in measures like available financial resources and available regulatory capital in the Netherlands. Longevity risk exposes NN Group primarily to mortality improvements and the present value impact is larger when interest rates are low.

NN Group’s morbidity risk lies in health insurance which pays out a fixed amount, reimburses losses (e.g. loss of income), or pays for expenses of medical treatment related to certain illness or disability events. The main exposures to morbidity risks within NN Group are the disability insurance policies underwritten in Netherlands Non-Life, the health and accidental death covers within the Corporate Owned Life Insurance business in Japan Life, and the healthcare insurance business in Greece.

The Netherlands Non-Life portfolio also includes Property & Casualty products covering risks such as fire damage, car accidents, personal and professional liability, windstorms, hail, and third party liabilities.

Risk mitigation
Proper pricing, underwriting, claims management, and diversification are the main risk mitigating actions for insurance risks.

By expanding insurance liabilities to cover multiple geographies, product benefits, lengths of contract, and both life and non-life risk, NN Group reduces the likelihood that a single risk event will have a material impact on NN Group’s financial condition.

Management of the insurance risks is done by ensuring that the terms and conditions of the insurance policies that NN Group underwrites are correctly aligned with the intended policyholder benefits to mitigate the risk that unintended benefits are covered. This is achieved through NN Group’s underwriting standards, product design requirements, and product approval and review processes.

Risk management continued

Insurance risks are diversified between business units. Risk not mitigated by diversification is managed through concentration and exposure limits and through reinsurance:

- tolerance limits for non-life insurance risks are set by line of business for catastrophic events and individual risk; for instance, every year Netherlands Non-Life and ING Re reinsure windstorm catastrophe risks. As windstorm risk diversifies well with other risks taken by NN Group, from 2014 NN Group has increased its tolerance level for this risk and decreased the re-insurance cover for windstorm catastrophe risk;
- tolerance limits for life insurance risks are set per insured life and significant mortality events affecting multiple lives such as pandemics;
- reinsurance is used to manage risk levels (such as morbidity reinsurance in the COLI business in Japan Life). Reinsurance creates credit risk which is managed in line with the reinsurance credit risk policy of NN Group, and;
- NN Group participates in industry pools in various countries to mitigate the risk from terrorism.

Risk measurement
The table below sets out NN Group's economic capital for insurance risk as at 31 December 2013 and 2012, respectively.

Economic capital for insurance risk

	2013	2012
Mortality (including longevity)	**1,556**	1,805
Morbidity	**380**	385
P&C	**429**	367
Diversification benefit	**–669**	–639
Total	**1,696**	1,918

The economic capital for insurance risks is dominated by mortality risk, in particular by longevity risk in the Netherlands pension business. The economic capital amount related to longevity risk is also highly sensitive to the level of interest rates. The decrease in the mortality risk capital was mainly caused by a decrease in longevity risk capital because of the increase of the discount curve in 2013 and by surrenders and contract changes of defined benefit pension contracts. The morbidity risk is primarily due to Netherlands Non-Life illness and disability contracts, as well as Netherlands Life and Japan Life.

The P&C risk is primarily underwritten by Netherlands Non-Life and partially reinsured by ING Re. The higher windstorm catastrophe risk retention level for 2014 resulted in an overall increase in economic capital for P&C risk.

BUSINESS RISK

Business risks are the risks related to the management and development of the insurance portfolio but excludes risks directly connected to insured events. Business risk includes policyholder behaviour risks and expense risks. Business risks can occur because of internal, industry, or wider market factors.

Risk profile
Policyholder behaviour risk
Policyholder behaviour risk is the risk that policyholders use options available in the insurance contracts in a way that is different from that expected by NN Group. Depending on the terms and conditions of the insurance policy and the laws and regulations applicable to the policy, policyholders could have the option to surrender, change premiums, change investment fund selections, extend their contracts, take out policy loans, make choices about how to continue their annuity and pension savings contracts after the accumulation phase, or even change contract details. As a result, over the life of an insurance policy, a policyholder may seek to change the terms of that policy, and NN Group may consult with the relevant customer with a view to verifying that the relevant policy remains suitable for the policyholder, sometimes resulting in changes to the relevant insurance policy. Policyholder behaviour therefore affects the profitability of the insurance contracts. The risk that policyholders maintain their contracts longer than NN Group has assumed is specific to the variable annuity business when guarantees are higher than the value of the underlying policyholder funds, the pension business in the Netherlands, and the older higher interest rate guaranteed savings business in Europe. The risk that policyholders hold their contracts for a shorter period than NN Group has assumed relates to the life business in Japan and the unit linked businesses in the Central and Eastern European businesses.

Changes in tax laws and regulations can affect policyholder behaviour, particularly when the tax treatment of their products affects the attractiveness of these products for customers. For instance, changes in tax treatment may affect the tax efficiency of the products of the Japan Life corporate-owned life insurance (**COLI**) business.

The available regulatory capital in the Netherlands and the economic capital calculations for policyholder behaviour risk take into account the present value impact of changes in assumptions.

A change in policyholder behaviour assumptions would result in an immediate change in the present value of the liabilities used to determine Available Financial Resources, IFRS result before tax for variable annuities, and available regulatory capital in the Netherlands.

Risk management continued

Expense risk
Total administrative expenses for NN Group in 2013 amounted to EUR 1,842 million. Part of these expenses is variable, depending on the size of the business and sales volumes, and part are fixed and cannot immediately be adjusted to reflect changes in the size of the business. Expense risk relates primarily to the fixed part of NN Group's expenses, and is the risk that actual per policy expenses in the future exceed the assumed per policy expenses. A significant portion of the fixed expenses is incurred in the closed block operations of Netherlands Life, where NN Group is exposed to the risk that the overheads relating to IT administration systems will remain constant, or even increase, while the number of policies in the in-force book gradually decreases, leading to a per policy expense increase.

A change in expense risk assumptions, though it would be reflected over time through IFRS result before tax, would result in an immediate change in the present value of the liabilities used to determine Available Financial Resources and available regulatory capital in the Netherlands.

Risk mitigation
Policyholder behaviour risk
Policyholder behaviour risks are managed through the product development, product approval and review processes and by ensuring that appropriate advice is given to the customer, not only at the point of sale but also during the lifetime of the product. The policyholder behaviour experience of in force policies is assessed at least annually.

As part of its strategy, NN Group has put several programs in place to own and improve the customer experience. These programs seek to improve the match between customer needs and the benefits and options provided by NN Group's products and, over time, to improve NN Group's understanding and anticipation of the choices policyholders are likely to make, thereby decreasing the risk of a mismatch between actual and assumed policyholder behaviour.

Expense risk
Several initiatives have been put in place to manage expenses, such as the restructuring of Netherlands Life and NN Group's head office in the Netherlands. These initiatives also seek to convert fixed expenses into variable expenses so that expenses vary in accordance with the size of the in-force portfolio. This is particularly relevant for the closed blocks of business, the Dutch individual life and the Japan Closed Block VA businesses.

Risk measurement
The table below sets out NN Group's economic capital for business risk as at 31 December 2013 and 2012, respectively.

Economic capital for business risk

	2013	2012
Policyholder behaviour	**1,096**	1,400
Expense	**1,388**	1,663
Diversification benefit	**–356**	–525
Total	**2,128**	2,538

The main contributors to policyholder behaviour risk in 2013 are the corporate owned life insurance business in Japan Life, Netherlands Life, the unit linked business in Europe, and the Japan Closed Block VA. Economic capital for policyholder behaviour risk decreased due to the increase of the discount curve in Netherlands Life and the weakening JPY.

Over 80% of the expense risk capital is driven by Netherlands Life. The economic capital amount related to expense risk in Netherlands Life is sensitive to the level of interest rates, and the decrease in the expense risk capital was primarily attributable to the increase of the discount curve in 2013, together with a decrease in overall expenses.

The diversification in business risk is driven by the fact that policyholder behaviour and expense risk are largely uncorrelated and therefore receive a benefit given the low likelihood that they will both occur concurrently.

Risk management continued

MARKET AND CREDIT RISK: GENERAL ACCOUNT

Market and credit risks are the risks related to the impact of financial markets on NN Group's balance sheet. In relation to market and credit risk, NN Group distinguishes between its general account and its separate account. The table below sets out NN Group's asset class market values for the general account as at 31 December 2013 and 2012 (in this table derivatives are excluded and specific risk management asset classifications and valuations are applied). 2012 figures are on a comparable basis to 2013.

General Account Assets

	Market value 2013	% of total 2013	Market value 2012	% of total 2012
Fixed income	**79,473**	**83%**	79,104	83%
Government bonds	**44,251**	**46%**	50,831	53%
Financial bonds	**4,452**	**5%**	5,845	6%
Corporate bonds	**6,453**	**7%**	7,503	8%
Asset Backed Securities	**7,199**	**7%**	7,267	8%
Mortgages	**14,218**	**15%**	5,398	6%
Other Loans	**2,900**	**3%**	2,260	2%
Non-Fixed income	**10,436**	**11%**	10,017	10%
Common & Preferred Stock	**2,500**	**3%**	2,087	2%
Private Equity	**943**	**1%**	855	1%
Mutual Funds	**2,336**	**2%**	2,020	2%
Real Estate	**4,657**	**5%**	5,055	5%
Cash	**6,749**	**7%**	6,778	7%
Total Investments	**96,658**	**100%**	95,899	100%

The economic capital for the fixed income bonds is calculated within spread risk and the economic capital for the fixed income loans (to the extent applicable) within counterparty default risk. For the non-fixed income assets, equity and real estate, NN Group uses asset-specific risks to calculate economic capital.

The table below sets out NN Group's economic capital for the general account as at 31 December 2013 and 2012, respectively.

Economic capital general account

	2013	2012
Equity risk	**1,406**	1,162
Real estate risk	**744**	807
Interest rate risk	**262**	194
Credit spread risk net of illiquidity premium offset	**2,234**	2,521
Foreign exchange risk	**213**	377
Inflation risk	**51**	8
Counterparty default risk	**519**	354
Diversification benefit	**–2,219**	–2,208
Total	**3,210**	3,215

Market and credit risk of the general account is dominated by credit spread and equity risk. Whilst there were significant movements in the underlying risks, overall the economic capital for market and credit risk remained fairly stable. The inflation risk relates to the disability business of Netherlands non-life.

The following sections provide more detail per risk type.

Equity risk

Equity risk in the general account is due to impact of changes in prices of directly held equities and equity derivatives such as futures and options.

Risk profile

The table below sets out NN Group's general account equity assets as at 31 December 2013 and 2012, respectively.

Risk management continued

General accounts equity assets		
	2013	2012
Common & Preferred Stock	**2,500**	2,087
Private Equity	**943**	855
Mutual Funds	**2,336**	2,020
Total	**5,779**	4,962

Overall equity exposure increased due to positive revaluations and net purchases of equities in line with strategic asset allocation.

The equity investments held in the Netherlands are part of the so-called “5% holdings”, in which investors who hold 5% or more of the outstanding shares of a stock receive favourable tax treatment in the Netherlands. About EUR 2.3 billion is invested in these 5% holdings. For these equity investments, NN Group may not be able to liquidate its position quickly because of the size of these holdings.

NN invests in private equity through its holding of Parcom Capital Management. Parcom Capital Management is a captive mid-market private equity firm active in the Netherlands, France and Germany.

Price changes in equity holdings and equity-related derivatives are directly reflected in Available Financial Resources, the IFRS balance sheet and in the regulatory available capital in the jurisdictions in which NN Group has general account equity holdings. Only value movements of derivatives and impairments of equity holdings are reflected in the IFRS result before tax.

Risk mitigation
Equity exposures belong to a well-diversified asset portfolio of an insurance company with long term illiquid liabilities. The concentration risk on individual issuers is mitigated under relevant investment mandates.

From time to time, NN Group protects the downside risk of the general account equity portfolio by buying put options and other hedge instruments. The most recent occasion on which NN Group did so was during the euro crisis in 2011-2012.

Risk measurement
Economic capital for equity risk in the general account increased from EUR 1,162 million in 2012 to EUR 1,406 million in 2013. This exposure includes mutual funds with both fixed income and equity underlying positions. On a look-through basis in the overall exposure, the weighting of equities, which requires a higher economic capital than fixed income investments, increased due to stock market developments.

Real estate risk
Real estate risk is the risk of loss of market value of real estate assets due to a change in rental prices, required investor yield, or other factors.

Risk profile
NN Group’s general account real estate exposure decreased from EUR 5,055 million at 31 December 2012 to EUR 4,657 million as at 31 December 2013. The real estate exposure is mainly present in Netherlands Life and Netherlands Non-Life. NN Group has two different categories of real estate: (i) investments in real estate funds and real estate directly owned, and (ii) investments in buildings occupied by NN Group. Several of the real estate funds owned by NN Group include leverage and therefore the actual real estate exposure is larger than NN Group’s positions in these funds. During 2013, the gross real estate exposure decreased mainly as a result of market value decreases.

The general account real estate portfolio is held for the long term and is illiquid. Furthermore there are no hedge instruments available in the market to effectively reduce the impact of market volatility.

The table below sets out NN Group’s real estate exposure by sector type excluding leverage as at 31 December 2013 and 2012, respectively. Real estate is valued at fair value in the economic capital model and the available regulatory capital calculations in the Netherlands. Fair value revaluations of 53% of the real estate portfolio directly affect the IFRS result before tax.

Risk management continued

General Account real estate assets by sector	Revalued through P&L	Not revalued through P&L	Revalued through P&L	Not revalued through P&L
	2013	**2013**	2012	2012
Residential	**3%**	**17%**	2%	17%
Office	**10%**	**9%**	14%	10%
Retail	**30%**	**9%**	28%	7%
Industrial	**9%**	**0%**	8%	0%
Other	**2%**	**12%**	3%	11%
Total	**54%**	**47%**	55%	45%

Risk mitigation
Real estate exposures belong to a well-diversified asset portfolio of an insurance company holding long term illiquid liabilities. The concentration risk on individual issuers is mitigated under relevant investment mandates.

Risk measurement
Economic capital for real estate risk decreased from EUR 807 million at year-end 2012 to EUR 744 million at year-end 2013 due to reduced real estate exposures and lower leverage in the real estate funds.

Interest rate risk
Interest rate risk is the impact of interest rate changes on available capital as a result of the associated change in the value of the assets and liabilities. NN Group generally uses swap curves as benchmark interest rate curves when assessing interest rate risk.

Risk profile
The table below provides an overview of NN Group's general account undiscounted policyholder liability cash flows (net of expenses and commissions) by maturity.

General account liabilities' annual undiscounted cash flows (net of expenses and commissions) (1)

	Liabilities originated in					
	Eurozone EUR		Japan JPY(2)		Other Currencies(2)	
Maturities	**2013**	2012	**2013**	2012	**2013**	2012
1	**–4,627**	–4,010	**222**	138	**–183**	–143
2	**–4,148**	–3,971	**–84**	–174	**–177**	–306
3	**–5,235**	–4,317	**–307**	–329	**–168**	–209
3-5	**–7,452**	–7,356	**–870**	–938	**–352**	–561
5-10	**–15,076**	–15,109	**–2,204**	–2,285	**–786**	–927
10-20	**–23,545**	–23,219	**–2,357**	–2,718	**–1,087**	–1,208
20-30	**–15,422**	–15,977	**–907**	–973	**–413**	–489
30+	**–14,752**	–16,976	**–577**	–515	**–82**	–95
Total	**–90,257**	–90,935	**–7,084**	–7,794	**–3,248**	–3,938

(1) The "minus" sign in the table mean cash outflow from NN Group to the policyholders
(2) Japan and Other liabilities are presented at constant FX of 31December 2013. Other includes CZK, HUF, PLN, RON and USD.

To effectively match its assets to liabilities, NN Group looks at the undiscounted liability cash flows and then determines which assets to purchase to reduce interest rate risk. As can be seen in the table, the EUR denominated liabilities have a significant amount of long-term liability cash flows, which relate primarily to the pension business in the Netherlands.

Liability valuations depend on the discount rate applied and are sensitive to movements in that discount rate, particularly given that approximately one third of the liability cash outflows occur from year 20. Different policyholder liability discount rates apply depending on the accounting or regulatory framework; thus, the interest rate risk differs by accounting regime.

- ***IFRS result before tax***. Under IFRS-EU, NN Group values its general account policyholder liabilities using a discount rate that is set when the policies are sold, and subjects them to a reserve adequacy test using current interest rates. As a result, changes in interest rates do not affect IFRS earnings through liability valuations, unless the adequacy of the reserves of a segment falls below the 50th percentile level. As of 1 January 2014, NN Group's reserves for all segments are adequate at the 90th percentile. Apart from a few exceptions, interest rate movements do not impact IFRS result before tax as investment income for fixed income assets is recorded as amortised cost value. A few derivative instruments not subject to hedge accounting could cause volatility in IFRS result before tax due to interest rates. See "-IFRS result before tax sensitivities".
- ***Available regulatory capital (outside the Netherlands)***. For the purposes of available regulatory capital in all jurisdictions outside the Netherlands in which NN Group operates, general account policyholder liabilities are valued at a single discount rate set when the policies are sold. General account fixed income assets are typically held at the same value as is reported on the IFRS balance sheet, although in several jurisdictions such as Japan, Spain and Greece, certain assets can be held at amortised cost on the regulatory balance sheet. Changes in interest rates affect available regulatory capital in these jurisdictions when fixed income assets are valued at market value, and the liability valuations are insensitive to interest rate movements.
- ***Available regulatory capital (Netherlands).*** For the purposes of available regulatory capital in the Netherlands, general account policyholder liabilities are measured at fair market value based on the DNB swap curve. In 2013 NN Group moved from the discount curve based on the ECB AAA yield curve to the DNB swap curve, which, amongst other things, is more liquid and less subject to dislocations. Since mid-2012, the DNB curve has been adjusted to include an ultimate forward rate (**UFR**), extrapolating the curves beginning in year 20 to an ultimate forward rate of 4.2% at year 60. General account fixed income assets are held at market value, thereby creating interest rate sensitivities in the available regulatory capital, which are the same as the liability sensitivities for matching cash flows up to 20 years. However, mismatches occur for longer-term cash flows due to the application of the UFR.
- ***Economic capital***. To determine economic capital, NN Group uses a swap curve plus an illiquidity premium to discount the insurance liabilities. The illiquidity premium is treated as part of the credit spread risk. NN Group extrapolates the EUR swap curve from the 30 year point onwards to the UFR, as swap markets tend to be highly illiquid for durations longer than 30 years. To determine economic capital, all assets are valued at market value and therefore subject to interest rate risk. The economic capital for interest rate risk therefore primarily depends on the level of cash flow matching between assets and liabilities.

Risk mitigation
NN hedges its economic interest rate exposure by investing in long-term bonds matching liability maturities and further reduces the remaining interest rate gap through purchases of receiver swaps and swaptions. Interest rate risk is also mitigated through a disciplined pricing and renewal strategy in the Dutch corporate pensions business.

Risk measurement
The Economic capital for general account interest rate risk increased from EUR 194 million at year-end 2012 to EUR 262 million at year-end 2013. This economic capital is small relative to the general account insurance provisions, due to effective ALM and interest rate hedges. The increase in capital is modest for the total balance sheet size and reflects a small reduction in asset duration.

Credit spread risk
Credit spread risk reflects the impact of credit spreads widening due to increased default expectation, illiquidity and any other risk premiums priced into the market value of bonds. Credit spread risk takes into account both the impact on the asset side as well as the corresponding interaction with the general account liabilities.

Risk profile
The nature of long-term insurance liabilities gives insurers the potential to hold fixed income assets even in adverse market conditions, thereby continuing to receive the coupons and the principal amount at maturity. Credit spread risk materialises in different ways depending on the different valuation curves used to discount assets and liabilities in order to determine these metrics.

Risk management continued

- ***IFRS result before tax***. Market value movements of general account fixed income assets do not impact the IFRS result before tax, as the assets are classified as available-for-sale. Therefore, there is no sensitivity to credit spread risk in IFRS result before tax. However fixed income securities might be subject to impairments under IFRS, affecting the IFRS result before tax.
- ***Available regulatory capital (outside the Netherlands)***. For the purposes of available regulatory capital in all jurisdictions outside the Netherlands in which NN Group operates, general account fixed income assets are typically held at the same value as is reported on the IFRS balance sheet, although in several jurisdictions such as Japan, Belgium, Spain and Greece, certain assets can be held at amortised cost on the regulatory balance sheet. In those cases where assets are held at fair, value credit spreads affect available regulatory capital through fixed income asset valuations, whereas the liability valuations are insensitive to credit spread movements.
- ***Available regulatory capital (Netherlands)***. On the regulatory capital balance sheet, general account fixed income assets are held at market value, thereby creating credit spread sensitivities in the available regulatory capital. The long duration of NN Group's fixed income assets amplifies the impact of credit spread sensitivities. By contrast, the liabilities are not sensitive to credit spread movements.
- ***Economic capital***. To determine economic capital, general account fixed income assets are held at market value, thereby creating credit spread sensitivities. Just as in the available regulatory capital (Netherlands), the long duration of NN Group's fixed income assets amplifies the impact of credit spread sensitivities for economic capital. The discount rate to value the insurance liabilities consists of the swap rate plus an illiquidity premium. NN Group uses the spreads of a covered bond index to determine the illiquidity premium at a given point in time. The fact that the bonds are fully collateralised means that there is limited credit risk in relation to these bonds. Any spread movements in the covered bond index therefore represent illiquidity related to demand and supply characteristics and/or market sentiment at any point in time. As NN Group does not invest in the covered bond index to back the general account liabilities, there can be mismatches between illiquidity experienced on NN Group's own assets and the illiquidity depicted by the covered bond index.

The table below sets out the market value of NN Group's general account fixed-income bonds which are subject to credit spread risk by type of issuer at 31 December 2013 and 2012, respectively.

General account fixed-income bonds by type of issuer [1]

	Market value		Percentage	
	2013	2012	**2013**	2012
Government Bonds	**44,251**	50,831	**71%**	71%
Asset Backed Securities	**7,199**	7,267	**12%**	10%
Financial Institutions	**4,452**	5,845	**7%**	8%
Utilities	**1,501**	1,815	**2%**	3%
Transportation & Logistics	**857**	449	**1%**	1%
Telecom	**795**	1,013	**1%**	1%
General Industries	**638**	591	**1%**	1%
Food, Beverages & Personal Care	**622**	675	**1%**	1%
Other Corporate and Financial Bonds	**2,040**	2,961	**3%**	4%
Total	**62,355**	71,447	**100%**	100%

[1] Bond values include accrued interest

NN primarily uses long-term bonds issued by central governments and other public agencies of governments to match its long term liabilities as such bonds are amongst the few tradable fixed income securities generating cash flows for 20 years and longer. The table below sets out the market value of NN Group's general account assets invested in government bonds by country and maturity.

Risk management continued

General account market value government bond exposures [1]

	Rating [2]	Domestic exposure [3]	Market value of government bond 2013 by number of years to maturity									
			1	2	3	3-5	5-10	10-20	20-30	30+	**Total 2013**	Total 2012
Germany	AAA	0%	**155**	**70**	**115**	**331**	**263**	**3,288**	**4,215**	**153**	**8,590**	12,225
Netherlands	AAA	98%	**17**	**132**	**82**	**104**	**1,210**	**1,458**	**3,399**		**6,402**	7,183
France	AA+	0%	**64**	**100**	**44**	**108**	**265**	**276**	**2,472**	**2,197**	**5,526**	5,586
Belgium	AA	41%	**141**	**242**	**210**	**830**	**1,413**	**911**	**1,498**	**69**	**5,314**	4,739
Japan	AA-	99%	**276**	**68**	**128**	**331**	**1,425**	**1,740**	**837**	**294**	**5,099**	8,183
Austria	AAA	0%	**210**	**44**	**85**	**174**	**803**	**1,462**	**588**	**728**	**4,094**	3,937
Italy	BBB	0%	**21**	**109**	**21**	**63**	**178**	**880**	**124**	**5**	**1,401**	1,393
Multilateral	AAA	2%	**81**	**65**	**132**	**44**	**345**	**285**	**376**	**34**	**1,362**	719
Finland	AAA	0%	**7**	**16**	**14**	**49**	**343**	**355**	**324**		**1,108**	1,079
Spain	BBB-	65%	**3**	**25**	**14**	**60**	**46**	**513**	**387**		**1,048**	907
United States	AAA	0%	**39**	**401**	**31**	**190**	**51**	**4**	**177**		**893**	1,018
Others		46%	**227**	**264**	**364**	**524**	**1,010**	**676**	**348**		**3,413**	3,862
Total		37%	**1,241**	**1,536**	**1,240**	**2,808**	**7,352**	**11,848**	**14,745**	**3,480**	**44,250**	50,831

[1] Bond values include accrued interest.
[2] NN uses the second best rating of Fitch, Moody's and S&P to determine the credit rating label of its bonds
[3] Percentage of the bonds held in the local unit, e.g. percentage of Dutch bonds held by entities registered in the Netherlands.

Exposures to Dutch, German and French government bonds are primarily held by Netherlands Life. Of the EUR 15 billion German and Dutch government bonds held by NN Group, more than half will mature after year 20, and more than 80% of the EUR 5.5 billion French government bonds held by NN Group will mature after year 20. These long-term government bonds are sensitive to sovereign credit spread movements versus EUR swap rates. With regards to Central and Eastern Europe, government bond exposures in Poland, Czech Republic, Hungary, Slovakia, Romania, and Turkey are mainly domestically held). In 2011 and 2012, NN Group reduced its Greek, Italian, Spanish and French government bond exposures in response to the deteriorating credit ratings of these countries and to alleviate concentration risk. The remaining Greek government bonds are all held by NN Group's Greek business unit, and 65% of the Spanish government bonds are held by NN Group's Spanish business unit. During 2013, NN Group began reducing its German and Dutch government bond positions to invest in higher-yielding asset classes. It also began reducing its holdings of government bonds in Japan where such bonds were held for liquidity reasons.

The table below sets out the general account market value of non-government fixed-income securities (excluding mortgages and derivatives) by rating and maturity. The AAA securities are primarily asset-backed securities.

General account market value non-government fixed income securities [1]

	Market value of non-government bond securities 2013 by number of years to maturity									
	1	2	3	3-5	5-10	10-20	20-30	30+	**Total 2013**	Total 2012
AAA	**158**	**90**	**280**	**691**	**1,514**	**972**	**1,299**	**1,977**	**6,981**	6,732
AA	**238**	**140**	**300**	**323**	**620**	**549**	**320**		**2,490**	3,615
A	**348**	**472**	**700**	**880**	**1,344**	**465**	**410**	**95**	**4,714**	6,053
BBB	**321**	**248**	**291**	**411**	**692**	**405**	**149**	**648**	**3,165**	3,209
BB	**87**	**8**	**34**	**97**	**155**	**9**		**183**	**573**	616
B	**19**	**15**	**18**	**23**	**26**		**57**		**158**	226
CCC								**6**	**6**	161
Other	**1**				**12**	**2**			**15**	2
Total	**1,172**	**973**	**1,623**	**2,425**	**4,363**	**2,402**	**2,235**	**2,909**	**18,101**	20,614

[1] Bond values include accrued interest.

The table below sets out NN Group's holdings of asset-backed securities by market value of asset type and the percentage of NN Group's total general account asset-backed securities portfolio as at 31 December 2013 and 2012, respectively.

Risk management continued

General Account Asset-backed securities	Market value 2013	% of total 2013	Market value 2012	% of total 2012
RMBS	**3,822**	**53%**	4,356	60%
Car loans	**1,848**	**26%**	1,415	19%
Credit cards	**463**	**6%**	382	5%
CMBS	**358**	**5%**	343	5%
Student loans	**251**	**3%**	318	4%
SME loans	**233**	**3%**	227	3%
Consumer loans	**117**	**2%**	134	2%
Other	**106**	**1%**	91	1%
Total	**7,198**	**100%**	7,266	100%

Risk mitigation

NN aims to maintain a low-risk, well diversified credit portfolio. NN Group has a policy of maintaining a high quality investment grade portfolio while avoiding large risk concentrations. In order to reduce the credit spread risk, NN Group has increased its investments in non-listed and own-originated assets. Going forward, the volatility in NN Group's credit spread risk will continue to have possible short term negative effects on the balance sheet. However, in the long run, these investments will back the long-dated and illiquid liabilities well. The concentration risk on individual issuers is managed using rating-based issuer limits on one (group of related) single name(s), effectively managing the default risk of the issuers.

Risk measurement

The economic capital for credit spread risk reflects, with 99.5% level of confidence, the maximum amount of capital needed to absorb the impact of spreads widening. Credit spreads are stressed depending on the assets with regard to the credit rating, duration, and region, to determine the economic capital for spread risk. Furthermore, the illiquidity premium on the liabilities is stressed to dampen the impact of credit spread stresses.

The table below sets out NN Group's general account economic capital for credit spread risk.

General accounts economic capital for credit spread risk	2013	2012
Credit spread risk assets	**5,617**	5,718
Illiquidity premium offset	**–3,383**	–3,197
Total Credit Spread risk net of illiquidity premium offset	**2,234**	2,521

Counterparty Default risk

Counterparty default risk is the risk of loss of investments due to unexpected default, or deterioration in the credit standing, of the counterparties and debtors (including reinsurers) of NN Group. The economic capital for counterparty default risk is primarily based on the associated issuer's probability of default (**PD**) and the estimated loss-given-default (**LGD**) on each individual asset combined with diversification across assets. Note that fixed income bonds are also subject to counterparty default risk, but this risk is included in credit spread risk.

Risk profile

Counterparty default risk emanating from residential mortgages and policy loans (retail credit risk) represent the majority of the portfolio of economic capital for counterparty default risk.

Loans form a relatively small source of credit risk for NN Group (as compared to bonds). Other sources of credit risk include the claims on counterparties from over-the-counter derivatives, money market exposures and reinsurance.

General account mortgages, reinsurance and loans and advances	2013	2012
Mortgages	**14,218**	5,398
Reinsurance	**331**	348
Other loans	**2,900**	2,260
Cash	**6,749**	6,778
Total	**24,198**	14,784

NN Group has notably increased its exposure to Dutch residential mortgages during the course of 2013, both at NN Bank as well as Netherlands Life. In the third quarter, EUR 4.7 billion of Dutch residential mortgage loans were transferred from Westland Utrecht Bank (WUB) to NN Bank's mortgage loan portfolio. In the fourth quarter of 2013, Netherlands Life's exposure to residential mortgages also increased, with the transfer of EUR 2.6 billion residential mortgages from ING Bank to Netherlands Life. As of 31 December 2013, the total general account risk exposure to mortgages is EUR 6.23 billion for NN Bank and EUR 7.99 billion for Netherlands Life.

Risk mitigation

NN Group uses different credit risk mitigation techniques. For retail lending portfolios, mortgages on the house, pledges of insurance policies, or retaining the investment accounts of clients are all important elements of credit risk mitigation. For OTC derivatives, the use of ISDA master agreements accompanied with credit support annexes is an important example of risk mitigation. Other forms of credit risk mitigation include reinsurance collateral.

The Loan-to-Value (LTV) for residential mortgages, which is based on the net average indexed loan to value, at NN Bank and Netherlands Life stands at 92% and 96% respectively. The perceived high LTV is due to the high proportion of interest-only mortgages. With the change in the Dutch tax regime in 2013 with regards to mortgage interest deductibility, a shift from essentially interest-only mortgages to annuity and linear payment type mortgages is being observed. The inherent credit risk is compensated primarily by means of the underlying property, but also through the inclusion of mortgages guaranteed by the Nationale Hypotheek Garantie (NHG) and other secondary covers like savings, investments and life insurance policies. Mortgages with NHG accounted for 26% and 20% at NN Bank and Netherlands Life respectively at 31 December 2013.

The credit portfolio is under constant review to ensure troubled assets are identified early and managed properly. With regards to (mortgage) loans, all loans with past due financial obligations of 90 days or more are classified as non-performing loans (NPLs). All loans not classified at initial recognition as being either (1) assets at market value through profit-and-loss, (2) assets held for trading, or (3) assets available-for-sale are measured against amortised cost value and are subject to impairment review. For bonds and other fixed income securities, criteria for impairment include (but are not limited to) expected and actual credit losses resulting from e.g. failure to pay, market information regarding expected and actual credit losses, as well as other evidence that the issuer/borrower will be unable to meet its financial obligations. Material breaches in financial covenants can also trigger the reclassification of a loan as being impaired.

Credit quality: NN Group mortgage loan portfolio, outstanding

	Netherlands Life		NN Bank	
	2013	2012	**2013**	2012
Performing mortgage loans	**7,769**	5,107	**6,118**	136
Past due mortgage loans (1–90 days)	**185**	129	**93**	2
Non-performing mortgage loans (more than 90 days past due)	**37**	24	**17**	0.5
Total	**7,991**	5,260	**6,228**	139

If a payment of interest or principal is more than one day late, the loan is considered "past-due". If the arrear still exists after 90 days, the loan is categorised as non-performing loan. It keeps this status until the arrear is resolved. Of the mortgage loans that are past-due, 68% have been past-due for 1-30 days.

Aging analysis (past due but not impaired): NN Group mortgage portfolio, outstanding

	Netherlands Life		NN Bank	
	2013	2012	**2013**	2012
Past due for 1–30 days	**125**	96	**64**	2
Past due for 31–60 days	**42**	23	**22**	0
Past due for 61–90 days	**19**	10	**8**	0
Total	**186**	129	**94**	2

Risk measurement

The economic capital backing NN Bank's portion of the mortgage exposure is accounted for in non-modelled business because NN Bank applies Basel II for capital purposes (see "-Economic capital for entities outside NN Group's internal model"). The economic capital backing the Netherlands Life's portion of the mortgages is calculated in the counterparty default risk. The total mortgage exposure is managed at company level and included in the tables above.

Economic capital for counterparty default risk increased from EUR 354 million at year-end 2012 to EUR 519 million at year-end 2013. This increase is mainly due to the increased residential mortgage portfolio at Netherlands Life. As noted, related economic capital for fixed income bonds is included fully in credit spread risk.

Risk management continued

Foreign exchange risk
Foreign exchange (**FX**) risk measures the impact of losses related to changes in currency exchange rates.

Risk profile
FX transaction risk can occur on a local entity level, while FX translation risk can occur when items included in the financial statements of each of NN Group's entities are measured using the country's functional currency instead of NN Group's reporting currency, the Euro.

Risk mitigation
The FX risk at the local entity level is mitigated by limiting investment to the local currency assets. The exceptions are Japan Life, where USD and EUR assets are held to diversify the portfolio and the FX risk is managed through rolling FX forward contracts and in the large general account portfolio of Netherlands Life. The FX risk at the holding level is managed using FX forward contracts.

Risk measurement
Economic capital for foreign exchange risk decreased from EUR 377 million at year-end 2012 to EUR 213 million at year-end 2013 primarily due to the weakening of the yen in 2013.

MARKET AND CREDIT RISK: SEPARATE ACCOUNT
The separate account businesses are those in which the policyholder bears the majority of the market and credit risk. NN Group's earnings from the separate account businesses are primarily driven by fee income. However, in the case of variable annuities and the guaranteed separate account pension business in the Netherlands, NN Group retains risk associated with the guarantees provided to its policyholders. Businesses in this category are (i) the variable annuities (VA) portfolio, (ii) the group pension business in the Netherlands for which guarantees are provided, and (iii) other separate account business, primarily the unit linked business.

Variable annuity portfolio
Risk profile

Variable annuity business overview 2013

	Number of policies	Account value (1)	Net Amount at Risk (2)	Additional IFRS Reserve for Guarantees	Average Remaining Years
Variable Annuity Japan GMAB	**299,563**	**11,575**	**458**	**811**	**3.2**
Variable Annuity Japan GMDB (3)	**46,743**	**3,112**	**205**	**57**	**7.1**
Variable Annuity Europe	**40,931**	**1,238**	**33**	**25**	**7.2**

(1) The Account value is the value of the underlying funds which belong to the policyholder.
(2) The net amount at risk is the difference between the guaranteed minimum value and the account value, for those policies where the guaranteed value exceeds the account value.
(3) The Additional IFRS reserve for the guarantees backing the GMDB block as of 1 January 2014 is EUR219 million higher (total EUR 276 million) due to the application of fair value accounting.

Variable annuity business overview 2012

	Number of policies	Account value (1)	Net Amount at Risk (2)	Additional IFRS Reserve for Guarantees	Average Remaining Years
Variable Annuity Japan GMAB	317,402	13,150	2,841	3,064	4.2
Variable Annuity Japan GMDB (3)	60,050	3,744	1,346	253	9.5
Variable Annuity Europe	44,30	1,147	47	78	7.5

(1) The Account value is the value of the underlying funds which belong to the policyholder.
(2) The net amount at risk is the difference between the guaranteed minimum value and the account value, for those policies where the guaranteed value exceeds the account value.

Risk management continued

From a risk management perspective, NN Group distinguishes three blocks of variable annuities:

- ***Guaranteed minimum accumulation benefit* (GMAB) *products of Japan Closed Block VA*:** Under this type of variable annuity, a minimum guaranteed benefit is paid upon death or at maturity of the policy at the end of the initial investment period. The survival guarantee is only available up until the original policy term, mainly 10 years, and cannot be changed. The minimum guaranteed benefit is either a single premium or an amount which may lock-in at a higher guarantee level depending on the product. The GMAB product was sold from 2005 until 2009 in Japan through banks and security brokers. The guarantees of this product were highly in the money but with the improving stock markets in Japan and the weakening of the JPY, have moved closer to at-the-money. The volatility risks of the options and guarantees increase when the option is at the money and closer to maturity.
- ***Guaranteed minimum death benefit* (GMDB) *products of Japan Closed Block VA***: Under this type of variable annuity, a minimum guaranteed benefit is paid upon the death of the policyholder. The GMDB product has a generally predefined term of 10 years and provides the option to extend the guarantee of the policy during the investment phase up to age 90, and in the case of some policies, also allow further extension to whole of life. At death, the product pays a maximum of the guaranteed value and the account value. During the insured period, the client can receive the maximum of the minimum guaranteed benefit and the account value at death or at survival after the term of the product. There are different funds underlying the policyholder account value, including Japanese equity, Japanese bond, global equity and global bond funds. The value of the minimum guarantee depends on the level and volatility of equity, bond and foreign exchange markets.
- ***VA products of Insurance Europe***: NN Group has been selling VA products in Europe since 2008, including in Belgium, Italy, Luxembourg, Poland, Spain and Hungary. The products mostly have minimum guaranteed living benefits such as survival benefit or withdrawal benefits.

The number of policies in the Japan Closed Block VA will have decreased by more than 86% by the end of 2019, driven by the maturity of the GMAB products.

Risk mitigation

NN has hedging programs in place for the Japan Closed Block VA business and the European variable annuity business. These hedging programs target equity, interest rate, and FX risks. The market risks that remain for the Japan Closed Block VA business are increases to market volatility, both implied and realised, and basis risk. Basis risk is the difference in market movements between the benchmarks used for hedging and the actively managed funds in the separate account. The table below sets out the estimated changes in the value of these options and guarantees, and the corresponding estimated changes in the value of the assets hedging this portfolio for the years ended 31 December 2009 through 2013 with regard to the Japan Closed Block VA.

Closed Block VA Japan Asset and Liability Movements

	2013	2012	2011	2010	2009
Change in Value of Policyholder Guarantee	**2,411**	1,652	–748	–481	543
Change in Value of Hedge Assets	**2,367**	1,482	–582	–537	458
Economic Hedge Result	**44**	170	–166	56	85

The change of the value of the policyholder guarantees depends on market movements. The value of the Japan Closed Block VA guarantees, which was considerable at year-end 2008 due to the credit crisis, moved significantly over the past years, decreasing in 2012 and 2013 as a result of the economic stimulus packages in Japan. In 2008 the hedge program was not yet fully developed and was therefore only partially able to follow strong market movements, resulting in significant hedge losses. Hedge losses were incurred in 2011 as well, partially attributable to significant spread movements that were not hedged in 2011.

Separate account guaranteed group pension business in the Netherlands

Risk profile

Separate account guaranteed group pension business in the Netherlands

	2013	2012
Account value	**10,858**	12,487
Additional IFRS reserve for guarantee	**606**	744

In the Dutch separate account pension portfolio, investments are held in separate accounts on behalf of the sponsor employer who concluded the contract with NN Group. Regardless of actual returns on these investments, NN Group guarantees pension benefits for the beneficiaries under the contract. Contracts are typically re-negotiated every five years, but the guarantee obligations to the beneficiaries survive termination of the contract with the sponsor employer unless otherwise agreed.

Risk management continued

The sponsor employer selects the investments based on a basket of equity and fixed income instruments and real estate and pays a fee for the guarantee. The value of the guarantee that NN Group provides is sensitive to interest rates, movements in the underlying funds and the volatility of those funds.

Risk mitigation
NN currently hedges the value of the guarantees it provided under group pension contracts in the Netherlands. For this purpose, the exposure under such guarantees is discounted at the swap curve without the extrapolation to the UFR. The hedge program includes equity basket options, swaps and equity futures. Upon contract renewal, NN Group offers policyholders defined contribution products with investments in portfolios that NN Group can more easily hedge, thus reducing the risk to NN Group. As of August 2013, NN Group aims to hedge the full economic risk of the guarantee provided. Before August 2013, the hedge was aimed at mitigating a combination of IFRS earnings volatility and regulatory capital volatility.

Other separate account business
Risk profile
The other separate account business primarily consists of unit linked insurance policies, which provide policyholders with fund selection combined with an insurance cover. In a unit linked policy, the investment risk is borne by the policyholder, although there are some unit linked products where NN Group has provided guarantees on the performance of specific underlying funds. Unit linked products without guarantees do not expose NN Group to market risk, except to the extent that the present value of future fees is affected by market movements of the underlying policyholder funds.

Risk mitigation
The market risks of the unit linked and other separate account business are managed at the design of the product. Currently NN Group does not hedge the market risks related to the present value of future fee income derived from this business.

Risk measurement
NN determines economic capital for the market and credit risks of the separate account business in aggregate through direct modelling or applying a hedge effectiveness ratio.

The table below sets out the economic capital for the market and credit risk of the separate account businesses as at 31 December 2013 and 2012, respectively.

Economic capital for the separate account businesses

	2013	2012
Variable annuity	**591**	812
Separate account guaranteed group pension business in the Netherlands	**264**	101
Other separate account business (unit linked)	**217**	187
Diversification benefit	**–108**	–170
Total	**964**	930

The decrease in the variable annuity economic capital was due to a weakening JPY over the course of 2013. The increase in economic capital in the group pension business in the Netherlands was mainly due to changes in the hedging position over the course of the year. Considering that the size of the group pension business in the Netherlands is EUR 10.9 billion, the overall risk on this portfolio remains relatively low and well-hedged. The increase in assets under management of the funds underlying the other separate account business resulted in a higher present value of future fee income and therefore higher risk capital related to this future fee income.

LIQUIDITY RISK
Liquidity risk is the risk that one of NN Group's entities does not have sufficient liquid assets to meet its financial obligations when they become due and payable, at reasonable cost and in a timely manner. Liquidity in this context is the availability of funds, or certainty that funds will be available without significant losses, to honour all commitments when due.

RISK PROFILE
NN identifies two related liquidity risks: funding liquidity risks and market liquidity risks. Funding liquidity risk is risk that a company will have the funds to meet its financial obligations when due. This risk is in particular relevant for NN Bank. Market liquidity risk is the risk that an asset cannot be sold without significant losses. The connection between market and funding liquidity stems from the fact that when payments are due, and not enough cash is available, investment positions need to be converted into cash. When market liquidity is low, this would lead to a loss.

Risk management continued

RISK MITIGATION
NN Liquidity Management Principles include the following:
- Interbank funding markets should be used to provide liquidity for day-to-day cash management purposes;
- A portion of assets must be invested in unencumbered marketable securities that can be used for collateralised borrowing or asset sales;
- Strategic asset allocation should reflect the expected and contingent liquidity needs of liabilities; and
- Adequate and up-to-date contingency liquidity plans should be in place to enable management to act effectively and efficiently in times of crisis.

NN defines three levels of Liquidity Management. Short-term liquidity, or cash management covers the day-to-day cash requirements under normal business conditions and targets funding liquidity risk. Long-term liquidity management considers business conditions, in which market liquidity risk materialises. Stress liquidity management looks at the company's ability to respond to a potential crisis situation. Two types of liquidity crisis events can be distinguished: a market event and an NN Group specific event. These events can be short-term or long-term and can both occur on a local, regional or global scale.

Risk measurement
Liquidity risk is measured through several metrics including ratios and cash flow scenario analysis, in the base case and under several stressed scenarios. The liquidity risk metrics indicate that liquidity resources would be sufficient to meet expected liquidity uses under the scenarios tested. NN Group does not hold a specific economic capital for liquidity risk in its insurance economic capital model as liquidity is sufficiently available in the insurance business units.

OPERATIONAL RISK
RISK PROFILE
Operational risk is a non-financial risk that includes direct or indirect losses resulting from inadequate or failed internal processes (including as a result of fraud and other misconduct), systems failure (including information technology and communications systems), human error, and certain external events.

The operational risk management areas can be defined as given below:
- ***Control and processing risk***: the risk due to non-adherence with business policies or guidelines as well as the risk of loss due to unintentional human error during (transaction) processing.
- ***Fraud risk***: the risk of loss due to abuse of procedures, systems, assets, products or services of NN Group by those who intend to unlawfully benefit themselves or others.
- ***Information (technology) risk***: the risk of financial or reputational loss due to inadequate information security, resulting in a loss of data confidentiality, integrity and availability.
- ***Continuity and security risk***: the risk of threats that might endanger the continuity of business operations and the security of our employees.
- ***Unauthorised activity risk***: the risk of *misuse* of procedures, systems, assets, products and services.
- ***Employment practise risk***: the risk of loss due to acts inconsistent with employment, health or safety laws, agreements and from payment of personal injury claims or diversity/discrimination events.

RISK MITIGATION
For operational risk NN Group has developed a framework governing the process of identifying, assessing, mitigating, monitoring and reporting operational risks.

Operational risk assessments are done not only based on historic data but also on a forward looking basis in order to capture future risks. Once mitigating measures have been implemented and proven to be effective through monitoring and testing, the residual risk becomes the managed risk.

Mitigation of operational risks can be preventive in nature (e.g. training and education of employees, preventive controls, etc.) or can be implemented upon discovery of a risk (e.g. enforcement of controls, disciplinary measures against employees). Risk mitigating actions or controls are based on a balance between the expected cost of implementation and the expected benefits.

NN conducts regular risk and control monitoring to measure and evaluate the effectiveness of the key risks and key controls. It determines whether the risks are within the norms for risk appetite and in line with the ambition levels and policies and standards.

The business process owners are responsible for the actual execution of the controls and for assessing the adequacy of their internal controls. Operational risk management, as part of the second line of defence, is responsible for providing management with an objective assessment of the effectiveness and efficiency of NN Group risks and controls.

Risk management continued

Risk measurement
NN Group's economic capital for operational risk was EUR 531 million and EUR 566 million as at 31 December 2013 and 2012, respectively. The economic capital is calculated based on the standard formula for Solvency II. As it is additive to the total economic capital, then it should be considered as net of diversification with other NN Group risks.

COMPLIANCE RISK
RISK PROFILE
Compliance risk is the risk of impairment of NN Group's integrity. It is a failure (or perceived failure) to comply with NN Group's Business Principles and the Compliance Risk-related laws, regulations and standards that are relevant to the specific financial services offered by a business or its ensuing activities, which could damage NN Group's reputation and lead to legal or regulatory sanctions and financial loss.

RISK MITIGATION
NN Group's compliance function has developed a framework governing the process of identifying, assessing, mitigating, monitoring and reporting compliance risks. The compliance function works with a scorecard process to annually evaluate the level to which the compliance risk management framework is embedded in each business. NN Group continuously enhances its compliance risk management program to ensure that NN Group complies with international standards and laws.

NN Group separates compliance risk into four risk areas: client conduct, personal conduct, organisational conduct, and financial services conduct. In addition to effective reporting systems, NN Group has a whistle blower procedure which protects and encourages staff to speak up if they know of or suspect a breach of external regulations, internal policies or business principles. NN Group also has policies and procedures regarding anti-money laundering, sanctions and anti-terrorist financing, gifts and entertainment, anti-bribery, customer suitability, Chinese walls and confidential and inside information, as well as a code of conduct for its personnel.

NN is fully committed to complying with all applicable sanction legislation and with all obligations and requirements under those applicable laws, including freezing and reporting obligations with regard to transactions involving a U.S., EU or UN sanction target. Furthermore, NN Group designates specific countries as ultra high risk and prohibits client engagements and transactions (including payments or facilitation) involving those countries. Certain exceptions on this policy are allowed after express and case-specific consent, and provided that the applicable sanctions laws and regulations are met. At present, the specified countries are Myanmar, North Korea, Sudan (North Sudan and South Sudan), Syria, Iran and Cuba. Each of these countries is subject to a variety of EU, U.S. and other sanctions regimes. NN Group has had a sanctions policy in place since 2007 and has a mandate to run down any existing commitments. As such, remaining exposure and contacts arise solely in the context of NN Group's on-going efforts to run down the legacy portfolio of commitments.

NN Group performs a due diligence process when developing products and invests considerably in the maintenance of risk management, legal and compliance procedures to monitor current sales practices. Customer protection regulations as well as changes in interpretation and perception by both the public at large and governmental authorities of acceptable market practices might influence customer expectations. The risk of potential reputational and financial impact from products and sales practices exists because of the market situation, customer expectations, and regulatory activity. For more information on the status of the unit linked legal proceedings in the Netherlands, see "*Legal Proceedings*" of the Annual Account.

The compliance function and the business work closely together to optimise both products and services to meet the customers' needs. NN Group's compliance function has developed a framework governing the process of identifying, assessing, mitigating, monitoring and reporting compliance risks.

ECONOMIC CAPITAL FOR ENTITIES OUTSIDE NN GROUP'S INTERNAL MODEL
NN has several businesses which are not included in the internal model as the internal model has been developed for insurance operations. NN Group determines the economic capital for these businesses using an approach consistent with the way these businesses are included in the AFR calculations as described in the Capital Management section.

Economic capital for other business NN Bank, IIM units on local required capital levels and other non-modelled

	2013	2012
Pension fund business in Europe	**178**	157
NN Bank	**271**	34
ING Investment Management	**191**	223
Other non-modelled entities	**236**	417
Asia discontinued	**112**	1,504
Total	**988**	2,335

Risk management continued

The Pension Fund businesses in Central Europe have been included on the basis of their local required capital using sectoral rules. NN Bank has been included in 2013 using 12% of risk weighted assets. At year-end 2012 NN Bank was not of meaningful size and its economic capital was based on its IFRS equity. The IIM entities and the other non-regulated business units have been included at their amount of IFRS equity adjusted for intangibles. The discontinued insurance operations in Asia have been included in the economic capital using 150% of the Solvency I requirement. The economic capital reduced significantly due to the 2013 closing of the sale of the life insurance businesses in Hong Kong, Macau, India, South Korea and Thailand as well as the closing of the sale of the investment management businesses in South Korea and China. At 31 December 2013, the life insurance Joint Venture in China and the investment management entities in Taiwan and India are the only remaining discontinued Asian businesses. The economic capital of these businesses is added without taking into account diversification benefits.

REGULATORY CAPITAL AND IFRS RESULT BEFORE TAX SENSITIVITIES

The following two sections will provide the sensitivities of regulatory capital and IFRS result before tax, which are also important risks monitored by management and can be different from economic sensitivities. The following table sets out the shocks to parameters used to assess the sensitivities.

Sensitivity Descriptions

	Regulatory Capital	IFRS Result Before Tax
Interest rate risk	Measured by the impact of a 30% upward and downward movement in interest rates (parallel shift based on 30% of the 10 year rate)	Same shock applied as under Regulatory Capital sensitivities
Equity risk	Measured by the impact of a 25% upward and downward movement in equity prices	Same shock applied as under Regulatory Capital sensitivities
FX risk	Measured by the impact of the worse of a 10% upward or downward movement in all currencies compared to the euro	Same shock applied as under Regulatory Capital sensitivities
Credit spread risk	Measured by the impact of a relative increase based on multiplying duration by a rating-based shock calibrated to the 1 in 10 sensitivities of the internal model (e.g. Double A 10-year bond shock is 120 basis points) AAA and AA-rated government bonds and home government bonds in local currency excluded, exception only applicable to Greek bonds Shocks for structured credit are 50% higher than for similarly rated corporate and government bonds	Not calculated as spread risk is minimal for IFRS results
Real estate price risk	This is measured by the impact of a 10% drop in real estate prices only for the minority holdings and direct for all real estate re-valued through P&L. Other holdings will be included in case of possible impairments caused by the drop in prices however as rental income is not assumed under the regulatory capital base case, the –10% shock applied is off-set by +5% rental income resulting in an effective shock of –5%.	This is measured by the impact of a 10% drop in real estate prices only for the minority holdings and direct for all real estate re-valued through P&L. Other holdings will be included in case of possible impairments caused by the drop in prices. As rental income is already included in planned annual earnings, no offset (to the –10% shock) is taken into account for rental income.
Variable Annuity risk	This is measured by a 1 in 10 impact of the aggregate market risk shocks of the internal model on the variable annuity business	Same shock as applied for the regulatory capital sensitivities. Note that both the 2013 and 2012 sensitivity have been based on the assumption that the accounting policy change for the Japan Closed Block VA GMDB business as of 1-1-2014 has already been implemented.
Mortality (Including Longevity)	Not shown. In general, similar to the IFRS sensitivity other than longevity risk in the Netherlands, for which changes to assumptions can impact available capital on a present value basis.	Mortality sensitivity is determined using a 1 in 10 mortality sensitivity of internal model
Morbidity	Not shown. In general, similar to IFRS sensitivities.	Morbidity sensitivity is determined using a 1 in 10 morbidity sensitivity of internal model
P&C	Not shown. In general, similar to IFRS sensitivities.	P&C sensitivity is determined using a 1 in 10 P&C sensitivity of internal model

Risk management continued

SENSITIVITIES OF REGULATORY CAPITAL AT RISK

One of the three quantitative risk appetite statements of NN Group is to ensure that there is sufficient cash capital. The cash capital is determined by the ability of subsidiaries to pay dividends and their potential need for capital injections to continue operations within the local market. Whether or not a capital injection is necessary is assessed based on available regulatory capital and commercial target levels of regulatory required capital. Market stresses primarily impact the available regulatory capital, but in the case of regulated entities within Netherlands Life and ING Life Japan, required regulatory capital also moves with market movements.

Estimated regulatory capital sensitivities

		2013	2012 [1]
	Interest Rate +30% in 10y rate	**–148**	–50
	Interest Rate –30% in 10y rate	**224**	75
	Equity –25%	**–747**	–595
	Equity +25%	**748**	652
Market risk and credit risk	Real estate –10%	**–170**	–192
	FX –10%	**–106**	–90
	Credit spread	**–1,894**	–1,902
	Counterparty default	**–27**	–7
	Variable Annuity (Europe and Japan)	**–260**	–357

(1) In 2012, NN Group did not report regulatory capital sensitivities Therefore, the 2012 regulatory capital sensitivities are high level estimates based on internal risk management reports.
(2) A high level estimate has been used to calculate the impact of interest rate stresses on the risk margin which in used to determine the regulatory available and required capital in Netherlands Life.

The credit spread sensitivity is the largest risk to cash capital and is primarily caused by Netherlands Life given the long term assets in the Netherlands Life portfolio and the spread risk to the liability discounted at the swap rate (see *Market and Credit Spread Risk: General Account Business—Credit spread risk*). Also, Netherlands Non-Life, Spain Life, Greece Life and Japan Life are exposed to credit spread risk on their regulatory balance sheet as assets are valued at market value.

The available regulatory capital balance sheet of Netherlands Life (which includes a significant amount of long-term liabilities) is modestly exposed to lower interest rates mostly due to the UFR impact on the liability discount curve. The other regulated entities are, however, exposed to higher interest rates as assets are at market value, but liabilities are not. This results in an overall position which is relatively insensitive to interest rates.

The equity sensitivity is primarily related to the general account equity holdings and increased during the year as the total value of equity securities increased.

FX primarily reflects open positions in investments held by Japan Life and Netherlands Life. This does not include any translation risk.

The variable annuity risk is dominated by Japan Closed Block VA and decreased significantly over 2013 due to depreciation of the JPY versus EUR.

Apart from the estimated sensitivities set out above, NN Group is exposed to volatility and basis risk with regards to the separate account guaranteed group pension business in Netherlands Life. Netherlands Life is also exposed to changes in assumptions with regards to longevity, expenses and policyholder behaviour as the present value impact on the policyholder liabilities of such assumption changes will be immediately reflected in the available regulatory capital.

Risk management continued

SENSITIVITIES OF IFRS RESULT BEFORE TAX

The table below sets out various market and insurance risk shocks for IFRS result before tax sensitivities.

Estimated IFRS result before tax sensitivities

		2013	2012
	Interest Rate +30% in 10y rate	**–3**	–56
	Interest Rate –30% in 10y rate	**7**	99
	Equity –25%	**–362**	–437
	Equity +25%	**273**	367
Market risk and credit risk	Real estate –10%	**–485**	–508
	FX –10%	**–58**	–53
	Counterparty default	**–96**	–85
	Variable annuity (Europe and Japan)	**–260**	–357
	Mortality (including longevity)	**–26**	–29
Insurance risk	Morbidity	**–100**	–100
	P&C	**–92**	–82

The reported market risk sensitivities for 2013 reflect the refinement of the accounting for the separate account pension business in the Netherlands. This change significantly reduced the sensitivity of NN Group's result before tax to interest rates as both the interest rate hedges and the technical provisions for this book move the same way with interest rates.

As at 31 December 2013, the result before tax sensitivities to equity risk primarily relate to the general account equity holdings in the Netherlands and Belgium, the hedging of the separate account pension business in the Netherlands and fee income from NN Group's investment management business, for which earnings sensitivities have been included as of year-end 2013. IFRS real estate sensitivities reflect investments in real estate funds and direct real estate assets. Market movements in real estate are reflected in the IFRS result before tax. The sensitivities decreased in 2013 due to lower real estate exposures.

The variable annuity risk for 2012 and 2013 primarily relates to Japan Closed Block VA and decreased due to FX movements. Both the 2012 and 2013 figures are adjusted to reflect the implementation of the move towards fair value accounting on the reserves for the guaranteed minimum death benefits of the Japan Closed Block VA, as of 1 January 2014.

In 2013, result before tax sensitivities to P&C risk increased primarily due to increased retention levels for windstorm catastrophe risk.

OTHER RISK INFORMATION

Greece, Italy, Ireland, Portugal, Spain and Cyprus (GIIPSC)

Since 2010 concerns arose regarding the creditworthiness of certain European countries. As a result of these concerns the fair value of sovereign debt decreased and those exposures are being monitored more closely. With regard to the sovereign debt crisis, ING's main focus is on Greece, Italy, Ireland, Portugal and Spain as these countries have either applied for support from the European Financial Stability Facility ("EFSF") or receive support from the ECB via government bond purchases in the secondary market. Further details on exposure to Government bonds and Unsecured Financial institutions' bonds are included in Note 3 "Available-for-sale Investments".

The table below provides information on ING's risk exposure with regard to Greece, Italy, Ireland, Portugal and Spain. Unless otherwise indicated, the amounts represent risk exposure values and exposures are included based on the country of residence of the direct Obligor to which ING has primary recourse of repayment of the obligations, except most RMBS, which exposures are based on country of risk. Cyprus is not included in the table below as NN Group had no exposure linked to this country.

Risk management continued

Greece, Italy, Ireland, Portugal and Spain – Total risk exposures [(1)]

2013	Greece	Italy	Ireland	Portugal	Spain	Total
Residential mortgages and other consumer lending	9				18	27
Corporate Lending		75	25			100
Financial Institutions Lending	11				170	181
Government Lending						
Total Lending	20	75	25	0	188	308
RMBS	27	236		182	263	708
CMBS						
Other ABS		12			2	14
Corporate Bonds		287	254	15	164	720
Covered Bonds		9	5		355	369
Financial Institutions' bonds (unsecured)		58		26	76	160
Government Bonds	39	1,303	53	5	1,013	2,413
Total Debt Securities	66	1,905	312	228	1,873	4,384
Real Estate	22	346		206	262	836
Total exposure	108	2,326	337	434	2,323	5,528

(1) The exposures reported in these tables are outstanding amounts, different valuation method from previous tables in the Risk Section where exposures are reported as Market Value.

Greece, Italy, Ireland, Portugal and Spain – Total risk exposures [(1)]

2012	Greece	Italy	Ireland	Portugal	Spain	Total
Residential mortgages and other consumer lending	12				19	31
Corporate Lending		50	25			75
Financial Institutions Lending	7				254	261
Government Lending						
Total Lending	19	50	25	0	273	367
RMBS	30	330	100	208	351	1,019
CMBS						
Other ABS		24			8	32
Corporate Bonds		316	258	27	156	757
Covered Bonds		18	15		507	540
Financial Institutions' bonds (unsecured)		52	36	38	109	235
Government Bonds	36	1,345	53	5	967	2,406
Total Debt Securities	66	2,085	462	278	2,098	4,989
Real Estate	21	275		217	342	855
Total exposure	106	2,410	487	495	2,713	6,211

(1) The exposures reported in these tables are outstanding amounts, different valuation method from previous tables in the Risk Section where exposures are reported as Market Value.

Total exposure to the GIIPS countries was reduced by EUR 683 million in 2013. NN Group reduced its exposure in debt securities by EUR 605 million and Financial Institutions lending by EUR 80 million. In debt securities, ABS exposure decreased by EUR 329 million, mainly in Italy by EUR 106 million and Ireland by EUR 100 million, and covered bonds went down by EUR 171 million, mainly in Spain by EUR 152 million. The decrease in Financial Institutions lending was mainly in Spain by EUR 84 million.

Capital management

amounts in millions of euros, unless stated otherwise

OBJECTIVE

ING Group Capital Management (Capital Management) is responsible for the sufficient capitalisation of ING Group entities at all times in order to manage the risk associated with ING's business activities, which involves the management, planning and allocation of capital within ING Group, as well as the treasury function, which is key to manage and execute the necessary capital market transactions, term (capital) funding and risk management transactions. Capital Management monitors and plans capital adequacy on a consolidated basis at three levels: ING Group, NN Group and ING Bank. In 2013, NN Group set up separate Corporate Finance department to manage the capital planning and treasury activities for the Insurance operations in the context of its preparations to separate from ING Group. Capital Management takes into account the metrics and requirements of regulators (Insurance Group Directive (IGD) Solvency I, Tier 1 and BIS ratios and limits for hybrid capital), rating agencies (leverage ratios, Adjusted Equity and fixed coverage ratio) and internal metrics such as Available Financial Resources (AFR) and Economic Capital (EC).

ING applies the following main capital definitions:

- Insurance Group Directive capital (NN Group) – This regulatory concept is defined as shareholders' equity plus hybrid capital, prudential filters and certain adjustments. IGD capital is calculated in accordance with method 3 "method based on accounting consolidation" of the Dutch Act on Financial Supervision. In this method the solvency margin is calculated on the basis of the consolidated accounts and is the difference of (i) the assets eligible for the inclusion in the calculation of the solvency margin based on the consolidated data; and (ii) the minimum amount of the solvency margin calculated on the basis of the consolidated data. In applying this method a solvency deficit of an insurance subsidiary, if any, is taken into account, as well as regulatory adjustments of the Dutch insurance subsidiaries based on the Dutch Act on Financial Supervision. See "Capital Base" disclosures in this section. This capital definition is applied in comparing IGD capital to EU required capital base. As of 30 September 2013, the IGD ratio for NN Group was adjusted for the transfer of ING U.S. Inc. from NN Group N.V. to ING Groep N.V. and a change in the calculation methodology. Prior period has not been restated to reflect these adjustments, as the impact is not material.
- AFR (NN Group excluding US Insurance business) –This is a pre-tax market value concept, defined for the insurance operations in scope of the IPO as the market value of assets (MVA) less the market value of liabilities (MVL) on the balance sheet. The liabilities valuation includes an adjustment for liquidity premium. For other businesses a proxy is used for AFR, i.e. statutory net equity for third party pension funds and NN Bank, and IFRS Equity adjusted for Goodwill for Asian divestments and Investment Management companies. The qualifying perpetual hybrid capital is considered equity and included in AFR. AFR is used as the measure of available capital in comparison with EC employed.
- EC (NN Group excluding US Insurance business) – This is the pre-tax required capital for the insurance operations in scope of the IPO, based on a 99.5% confidence interval on a one-year horizon. This is considered an interim step to the Solvency II capital framework. The EC for other businesses is based on a proxy, i.e. sectoral rules for third party pension funds and NN Bank, 150% EU required capital for Asian divestments, and IFRS Equity adjusted for Goodwill for Investment Management companies.
- Regulatory Capital framework – Insurance and Investment Management legal entities have to comply with local statutory capital frameworks that are under supervision of local regulators. Most of these frameworks for insurance businesses in Europe are based on Solvency I principles and are expected to migrate to Solvency II starting in 2016.
- Financial Leverage (NN Group) – Financial Leverage is the sum of hybrid capital, sub-debt and net financial debt.

DEVELOPMENTS 2013

In 2013 Capital Management's main focus remained the strengthening of the capital position of ING Group, ING Bank and NN Group. ING's capital is well placed to deal with the uncertain financial environment, increasing regulatory requirements and the ambition to repay the remaining outstanding Core Tier 1 securities. ING Group repaid another EUR 0.75 billion of Core Tier one securities and at yearend 2013 EUR 1.5 billion was outstanding of the original amount of EUR 10 billion.

In May 2013, the US Insurance business was successfully separated and listed (VOYA) on the NYSE. NN Group has divested this business in several tranches. In May NN Group sold approximately 28% shares in Voya and successfully completed the secondary offering of Voya with proceeds of EUR 644 million. On 30 September 2013, NN Group transferred its remaining shares of the US Insurance business to ING Group. In October, ING Group sold another tranche of approximately 15% shares in Voya with proceeds of EUR 788 million. At the end of 2013, ING Group still owns 56.7% of the US Insurance business.

The proceeds from the Initial Public Offering of the US Insurance business and from the partial divestment of Sul América S.A. in Brazil to GrupoSura and to the Larragoiti family were fully paid up to ING Group and used to reduces core debt at ING Group.

Capital management continued

NN Group reduced its financial leverage substantially, from 31% by the end of 2012 to 26% at the end of 2013. This was mainly driven by the proceeds from the sale of its Asian Insurance businesses o.w. Hong Kong, Korea, Thailand and India, a capital injection from ING Group, the transfer of the US business from NN Group to ING Group and dividends from operating companies, offset by capital injections into operating companies, including a cash capital requirement for IPO purposes and holding company interest costs and expenses. In September NN Group N.V. redeemed senior debt of EUR 0.7 billion and an intercompany loan from ING Group of EUR 1.3 billion. The redemptions were funded by a new short-term intercompany loan of EUR 2 billion from ING Group, which was reduced to EUR 1 billion in December following a capital injection from ING Group.

Nationale-Nederlanden Bank N.V. (part of NN Group) acquired parts of Westland-Utrecht Bank (owned by ING Bank) per 1 July 2013. This acquisition was funded by a capital injection from ING Group and therefore not increasing financial leverage of NN Group.

In order to comply with the obligations toward the European Commission, ING Group largely finalised the divestment of its Asian business, US business and Brazilian business; the total proceeds from divestments in 2013 were EUR 4.1 billion.

Additionally, ING Group is in process of preparing NN Group for a separate listing in 2014. As part of those preparations to become a stand-alone company, ING Group injected EUR 1 billion of capital to further strengthen the capitalisation of NN Group.

REGULATORY

On 1 January 2014, an interim solvency regulation (commonly referred to as Solvency 1.5) has come into force in the Netherlands, in addition to the existing Solvency I framework. This new regulation fits within DNB's approach to make the supervision of insurance companies more risk sensitive and forward looking. Solvency 1.5 places additional requirements on management of capital. The legislation also introduces the Theoretical Solvability Criterion (*theoretisch solvabiliteitscriterium*; TSC), which applies to large and medium-sized life insurance companies in the Netherlands. The aim of the TSC is to ensure that, after the realisation of some pre-defined stress scenarios, insurance companies still comply with their solvency requirements. In case the solvency position of an insurer is below the TSC, the DNB could require the insurance company to submit a recovery plan. Additionally, if the solvency position is below the TSC, DNB could require a declaration of no objection for dividend payments and other withdrawals from own funds.

The Dutch life insurance companies of NN Group have been using the ECB AAA curve to perform the regulatory test of adequacy of their insurance liabilities at year end 2012. On 12 July 2013, Fitch downgraded France to AA+, resulting in French government bonds no longer being included in the ECB AAA curve. The downgrade caused a drop of the ECB AAA curve of on average 15 basis points (dependent on the point on the curve), leading to an increase in the valuation of the liabilities and therefore a decrease in available regulatory capital if a shortage resulted from the test of adequacy. The DNB swap curve is the only alternative curve to the swap curve allowed by DNB that is available to Dutch life insurance companies to discount liabilities in the regulatory test of adequacy. As of Q3 2013, the Dutch life insurance companies of NN Group have been granted permission by DNB to use the DNB swap curve for the test of adequacy. The impact of the downgrade of France had an immediate unfavourable impact on NN Life's regulatory solvency ratio of about 39%-points.

POLICIES

The activities of Capital Management are executed on the basis of established policies, guidelines and procedures. For the Corporate Treasury there are additional policies and limits that guide the management of the balance sheets and the execution of capital market transactions.

PROCESSES FOR MANAGING CAPITAL

Capital Management manages its capital on a pro-active basis and ensures that sufficient capital is available through setting targets and limits relevant to the above mentioned metrics for ING Group, ING Bank, and NN Group and ensuring adherence to the set limits and targets through planning and executing capital management transactions. The ongoing assessment and monitoring of capital adequacy is embedded in Capital Management's capital planning process. Following the annual budgeting process, each year a capital plan is prepared for the Group as a whole and each of its material businesses. This plan is updated on a quarterly basis and it is assessed to what extent additional management actions are required. At all times maintaining sufficient financial flexibility should be preserved to meet its financial objectives. At the foundation of the capital plan are ING's risk appetite statements that determine target setting. These constraints are being cascaded to the different businesses in line with our risk management strategy.

Important inputs to the capital planning and management process are provided by stress testing that is performed on a regular basis. These stress tests focus on topical issues and the sensitivity of NN Group's capital position to certain risks. These analyses provide input that help to steer strategic direction. Setting policies for recovery planning and resolution are a natural extension of ING's capital management policies and follow ING's risk management framework seamlessly.

Capital management continued

A key priority of Capital Management is to ensure that strong stand-alone companies are created for banking and insurance in preparation of the separation. Both operations need to stay adequately capitalised based on local regulatory and rating agency requirements and interdependencies should be reduced to a minimum. The entities should also be able to access capital markets independently.

CAPITAL ADEQUACY ASSESSMENT

During 2013, NN Group was adequately capitalised.

Capital position of NN Group

	2013	2012 [4]
Shareholder's equity (parent)	**14,227**	26,423
Hybrids issued by NN Group to ING Group [1]	**2,394**	2,438
Hybrids issued by NN Group [2]		476
Required regulatory adjustments	**–5,368**	–6,891
IGD capital	**11,253**	22,446
EU required capital base	**4,379**	9,523
IGD Solvency I ratio [3]	**257%**	236%

[1] Hybrids issued by ING Group at notional value.
[2] Hybrids issued by NN Group at notional value capped at 25% of EU required capital. As from 1 January 2013 the hybrid issued by NN Group N.V. with notional amount of EUR 476 million does not qualify anymore for IGD Capital based on regulations from DNB.
[3] The actual required regulatory adjustments for IGD capital and the EU required capital may be different from the estimate since the statutory results are not final until filed with the regulators.
[4] The IGD Solvency I ratio reported in the 2012 Annual Report of 245% is restated due to the change in accounting policy for employee benefits as disclosed in the section "Changes in accounting policies in 2013" on page F9.

During 2013, the IGD ratio of NN Group increased from 236% at the end of 2012 to 257% at the end of 2013. This improvement reflects a decrease of Shareholders' equity and a release of required capital following the various divestments that closed during 2013, the IPO of ING U.S. and the transfer of the remaining interest in ING U.S. to ING Group. In addition, the improvement was supported by favourable market developments, net operating results and the EUR 1 billion capital injection from ING Group to redeem debt. This was only partially offset by the impact of the downgrade of France by Fitch on the NN Life solvency ratio, the exclusion of a EUR 0.5 billion hybrid loan that no longer qualifies as capital and the write down of the DAC for the Japan Closed Block VA business.

NN Group continues to aim that all operating entities are adequately capitalised based on local regulatory and rating agency requirements and that on a consolidated basis, the financial leverage (hybrids, sub-debt and financial debt) of NN Group is appropriate relative to the capital base.

Capital base and financial leverage of NN Group

	2013	2012 [4]
Shareholder's equity (parent)	**14,227**	26,423
Revaluation reserve debt securities	**–2,804**	–9,282
Revaluation reserve crediting to life policyholders	**2,579**	5,673
Revaluation reserve cash flow hedge	**–2,726**	–3,548
Goodwill	**–264**	–351
Minority interests	**68**	217
Capital base for financial leverage (a)	**11,080**	19,132
Hybrids issued by NN Group to ING Group [1]	**2,401**	2,451
Hybrids issued by NN Group [2]	**491**	496
Total hybrids (b)	**2,892**	2,947
External debt issued by NN Group N.V.		694
External debt issued by US Holding companies		2,307
Senior Debt issued by NN Group to ING Group	**1,000**	1,311
Other net financial debt [3]		1,457
Total financial debt (c)	**1,000**	5,769
Total financial leverage (d) = (b) + (c)	**3,892**	8,716
Financial leverage ratio (e) = (d) / {(a) + (d)}	**26%**	31%

Capital management continued

(1) Hybrids issued by ING Group at amortised cost value consistent with IFRS carrying value.
(2) Hybrids issued by NN Group at amortised cost value consistent with IFRS carrying value.
(3) Includes net internal borrowings from the operating subsidiaries, offset by net current assets of the holding companies in excess of a cash capital requirement.
(4) The Capital base for financial leverage as reported in the 2012 Annual Report of EUR 20,007 million is restated due to the change in accounting policy for employee benefits as disclosed in the section "Changes in accounting policies in 2013" on page F9.

For NN Group in total, the capital base for financial leverage purposes is fully based on IFRS accounting, whereas the IGD capital is corrected for some regulatory adjustments. The table below provides a reconciliation.

Reconciliation between IGD capital and Capital base for financial leverage

	2013	2012
IGD capital	**11,253**	22,446
Hybrids issued by NN Group to ING Group	**–2,394**	–2,438
Hybrids issued by NN Group		–476
Revaluation reserve debt securities	**–2,804**	–9,282
Revaluation reserve crediting to life policyholders	**2,579**	5,673
Revaluation reserve adjustments	**2,446**	3,209
Capital base for financial leverage	**11,080**	19,132

The table below provides the capital ratios for the larger Insurance subsidiaries according to local regulatory capital frameworks:

Local Capital ratios for the larger Insurance operations

	2013 (1)	2012 (2)
NN Life	**222%**	191%
ING Re Netherlands	**1,253%**	320%
ING Life Japan	**1,366%**	989%

(1) The 2013 capital ratios are not final until filed with the regulators.
(2) Comparable capital ratio for ING Life Japan is at 31 March 2013, as the financial year for ING Life Japan runs from 1 April until 31 March.

NN Life's capitalisation improved due to a EUR 0.6 billion capital injection, higher performance of the equity portfolio, lower credit spreads, but offset by the change in valuation curve from ECB AAA curve to DNB Swap curve. Following the subordinated loan to NN Life and the impact of the pension agreement in the first quarter of 2014, the estimated pro-forma solvency I ratio for NN Life is 234%.

The capital ratio of ING Re increased mainly due to a capital injection of EUR 0.6 billion to strengthen its capitalisation from an economic basis, favourable market developments and a decrease in required capital. Required capital decreased mainly due to lower value of the guarantees for the reinsured Japan VA business and the termination of the Stop-Loss contract with Poland.

ING Life Japan's capital ratio improved due to profits in the period from 1 April until 31 December 2013 and lower required capital, reflecting decreasing SPVA minimum guarantee reserve, which is led by favourable market developments and increased SPVA lapses.

For NN Group, Available Financial Resources (AFR) continues to be important, especially as an evolving proxy for the Own Funds derivation from our internal model under Solvency II. The SII regulations are not final and material deviations from our proxy could materialise; see the risk management section for more details. AFR in the 2012 Annual Report of ING Verzekeringen N.V. was derived for ING Insurance EurAsia excluding Asian Insurance and Investment Management businesses and the reinsured Japan VA guarantees to ING Re (Netherlands) N.V. that were classified as held-for-sale operations. ING announced in 2013 that NN Group N.V. will be divested instead of ING Insurance Eurasia N.V., and after carefully exploring and evaluating the options available for the divestment of ING Life Japan, it was concluded that ING Life Japan will be included with NN Group's insurance and investment management businesses in the base case IPO of NN Group in 2014, subject to market and other conditions. As a result, ING Life Japan and the Japanese Closed Block VA guarantees reinsured to ING Re ("NN Group's business in Japan") are no longer classified as held-for-sale operations. All references to Asia in this disclosure therefore, refer to the insurance and investment management businesses in Asia other than NN Group's business in Japan.

The following table presents the reconciliation from the 2012 AFR for Insurance EurAsia excluding Asian held-for-sale operations as reported in the Annual Report 2012, to the comparable basis for NN Group excluding US Insurance business. The impact of the change in scope on EC is explained in detail in the Risk paragraph.

Capital management continued

Change of scope of AFR 2012	
amounts in billions of euros	AFR [1]
As reported for ING Insurance EurAsia (excluding held-for-sale operations) in 2012	9.6
Change in model and methodology [1]	–0.8
Include NN Group's businesses in Japan as modelled business	2.4
Include the other Asian held-for-sale operations as unmodelled business	4.0
Include legacy units and holding	–3.8
NN Group 2012 excluding US Insurance business on a basis comparable to 2013	11.4

[1] The change in model and methodology refers to the change in accounting policy for employee benefits as disclosed in the section "Changes in accounting policies in 2013" on page F9.

The table below provides AFR and EC on comparable basis for NN Group (excluding US operations).

AFR and EC		
	2013	2012
AFR	**13.6**	11.4
EC	**7.0**	8.7
Excess AFR over EC	**6.6**	2.7
AFR-EC ratio	**193%**	131%

The AFR-EC ratio for NN Group excluding US Insurance business increased in 2013 as a result of higher AFR and lower EC. AFR increased from EUR 11.4 billion at the end 2012 to EUR 13.6 billion at the end of 2013. AFR increased mainly due to a capital injection from ING of EUR 1.3 billion (EUR 1.0 billion to redeem ING Group loan and EUR 0.3 billion to acquire parts of WestlandUtrecht Bank) and the inclusion of the "Ultimate Forward Rate" (UFR) in the valuation curve of EUR 1.6 billion. This increase was partially offset by the change of treatment of the pension asset (included in 2012 figures but excluded in 2013) of EUR 0.7 billion and the change in treatment of the external hybrid of EUR 0.5 billion, which is not considered AFR as from 1 January 2013 (consistent with IGD ratio). The change in EC during 2013 is explained in detail in the Risk paragraph.

Main credit rating of ING at 31 December 2013						
	Standard & Poor's		**Moody's**		**Fitch**	
	Rating	**outlook**	**Rating**	**outlook**	**Rating**	**outlook**
ING Group N.V.	**A-**	**stable**	**A3**	**negative**	**A**	**negative**
– long term						
NN Group N.V.						
– short term	**A-2**		**P-2**		**F2**	
– long term	**BBB+**	**stable**	**Baa2**	**negative**	**A-**	**negative**

ING's key credit ratings and outlook are shown in the table above. Each of these ratings reflects only the view of the applicable rating agency at the time the rating was issued, and any explanation of the significance of a rating may be obtained only from the rating agency.

A security rating is not a recommendation to buy, sell or hold securities and each rating should be evaluated independently of any other rating. There is no assurance that any credit rating will remain in effect for any given period of time or that a rating will not be lowered, suspended or withdrawn entirely by the rating agency if, in the rating agency's judgment, circumstances so warrant. ING accepts no responsibility for the accuracy or reliability of the ratings.

AUTHORISATION OF ANNUAL ACCOUNTS
Amsterdam, 17 March 2014

THE SUPERVISORY BOARD
J. (Jeroen) van der Veer, chairman
P.A.F.W. (Peter) Elverding, vice-chairman
J.P. (Tineke) Bahlmann
H.W. (Henk) Breukink
C.W. (Carin) Gorter
J.H. (Jan) Holsboer
J.Ch.L. (Joost) Kuiper
H-J.M. (Hermann-Josef) Lamberti
I. (Isabel) Martín Castellá
R.W.P. (Robert) Reibestein
Y.C.M.T. (Yvonne) van Rooy
L.A.C.P. (Luc) Vandewalle

THE MANAGEMENT BOARD NN GROUP
R.A.J.G. (Ralph) Hamers, *CEO and chairman*
E. (Lard) Friese, vice-chairman
D. (Delfin) Rueda, *CFO*
S.D. (Doug) Caldwell, *CRO*
D.E. (Dorothee) van Vredenburch, *member*
P.G. (Patrick) Flynn, *member*
W.F. (Wilfred) Nagel, *member*

Parent company balance sheet of NN Group N.V.

as at 31 December before appropriation of result

amounts in millions of euros	2013	2012
Assets		
Investments in group companies 1	**18,558**	31,198
Other assets 2	**1,893**	4,480
Total assets	**20,451**	35,678
Equity 3		
Share capital		
Share premium	**11,605**	17,750
Share of associates reserve	**3,502**	7,252
Other reserves	**–890**	383
Unappropriated result	**10**	1,038
Shareholder's equity	**14,227**	26,423
Liabilities		
Subordinated loans 4	**2,892**	2,947
Other liabilities 5	**3,332**	6,308
Total liabilities	**6,224**	9,255
Total equity and liabilities	**20,451**	35,678

References relate to the notes starting on page F164. These form an integral part of the parent company annual accounts.

Parent company profit and loss account of NN Group N.V.

for the year ended 31 December

amounts in millions of euros	2013	2012
Result of group companies	47	1,092
Other results after tax	–37	–54
Net result	10	1,038

Parent company statement of changes in equity of NN Group N.V.

amounts in millions of euros	Share capital	Share premium	Share of associates reserve	Currency translation reserve	Other reserves [1]	Total
Balance as at 31 December 2011		17,750	5,190		472	23,412
Remeasurement of the net defined benefit asset/liability			–910			–910
Unrealised revaluations property in own use			–13			–13
Unrealised revaluations available-for-sale investments and other			5,073			5,073
Realised gains/losses transferred to profit and loss account			–367			–367
Changes in cash flow hedge reserve			665			665
Transfer to insurance liabilities/DAC			–2,181			–2,181
Other revaluations					75	75
Exchange rate difference			–369			–369
Total amount recognised directly in equity (Other comprehensive income)	0	0	1,898	0	75	1,973
Net result from continuing and discontinued operations					1,038	1,038
Total comprehensive income	0	0	1,898	0	1,113	3,011
Transfer to share of associates reserve			164		–164	
Balance as at 31 December 2012 (restated)	**0**	**17,750**	**7,252**	**0**	**1,421**	**26,423**
Remeasurement of the net defined benefit asset/liability			**–42**			**–42**
Unrealised revaluations property in own use			**–1**			**–1**
Unrealised revaluations available-for-sale investments and other			**–4,627**		**–45**	**–4,672**
Realised gains/losses transferred to profit and loss			**90**			**90**
Changes in cash flow hedge reserve			**–832**			**–832**
Transfer to insurance liabilities/DAC			**2,154**			**2,154**
Exchange rate difference			**–647**			**–647**
Total amount recognised directly in equity (Other comprehensive income)	**0**	**0**	**–3,905**	**0**	**–45**	**–3,950**
Net result from continuing and discontinued operations					**10**	**10**
Total comprehensive income	**0**	**0**	**–3,905**	**0**	**–35**	**–3,940**
Transfer from to associates			**118**		**–118**	
Capital contribution		**1,330**				**1,330**
Employee stock option and share plans			**37**			**37**
Changes in composition of the group and other changes		**–6,826**			**43**	**–6,783**
Impact of IPO ING U.S.					**–1,958**	**–1,958**
Dividend		**–649**			**–233**	**–882**
Balance as at 31 December 2013	**0**	**11,605**	**3,502**	**0**	**–880**	**14,227**

[1] Other reserves includes Retained earnings, Other reserves and Unappropriated result.

Accounting policies for the parent company annual accounts of NN Group N.V.

ESTABLISHMENT OF NN GROUP

Until recently, ING Verzekeringen N.V. (“ING Insurance”) was the holding company of the insurance and investment management activities of ING. As such, ING Insurance prepared consolidated financial statements under IFRS-EU that included ING Insurance and all its subsidiaries. ING Insurance was a wholly-owned subsidiary of ING Insurance Topholding N.V. (“ING Topholding”), a wholly-owned subsidiary of the ultimate parent ING Groep N.V. ING Topholding was a holding company with no other assets, liabilities and activities than its 100% holding in ING Insurance.

On 28 February 2014, before the finalisation of the 2013 consolidated financial statements, ING Insurance and ING Topholding legally merged. Through this merger, the legal entity ING Insurance ceased to exist. The legal merger became effective on 1 March 2014 and on that date the merged entity was renamed NN Group N.V. (“NN Group”).

The merged entity NN Group N.V. is in substance a continuation of ING Insurance. As of 2013, NN Group prepares consolidated financial statements under IFRS-EU in which all assets and liabilities of ING Insurance and its subsidiaries are included at their existing carrying values. The parent company financial statements are those of NN Group N.V. As ING Topholding was a holding company with no other assets, liabilities and activities than its 100% holding in ING Insurance , the financial position and results of NN Group are not significantly different from what these would have been for ING Insurance.

BASIS OF PRESENTATION

The parent company accounts of NN Group N.V. are prepared in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. The accounting policies applicable to presentation and disclosures are in accordance with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. The principles of valuation and determination of results stated in connection with the Consolidated balance sheet and profit and loss account are also applicable to the parent company balance sheet and profit and loss account with the exception of investments in group companies and investments in associates which are recognised at net asset value with goodwill, if any, recorded under intangible assets.

The profit and loss account is drawn up in accordance with Section 402, Book 2 of the Dutch Civil Code.

A list containing the information referred to in Section 379 (1), Book 2 of the Dutch Civil Code has been filed with the office of the Commercial Register of Amsterdam, in accordance with Section 379 (5), Book 2 of the Dutch Civil Code.

Changes in balance sheet values due to changes in the Revaluation reserves of associates are reflected in the Share of associates reserve, which forms part of Shareholder’s equity. Changes in balance sheet values due to the results of these associates, accounted for in accordance with NN Group accounting policies, are included in the profit and loss account. Other changes in the balance sheet value of these associates, other than those due to changes in share capital, are included in the Share of associates reserve.

A legal reserve is carried at an amount equal to the share in the results of associates since their first inclusion at net asset value less the amount of profit distributions to which rights have accrued in the interim. Profit distributions which can be repatriated to the Netherlands without restriction are likewise deducted from the Share of associates reserve, which forms part of Shareholder’s equity.

The amounts for 2012 have been restated to reflect the change in accounting policy as disclosed in the section “Change in accounting policies” in the Note 1 “Accounting policies” of the consolidated annual accounts.

Notes to the parent company annual accounts of NN Group N.V.

amounts in millions of euros, unless stated otherwise

ASSETS

1 INVESTMENTS IN GROUP COMPANIES

Investments in group companies

	Proportion of ownership interest and voting rights held by the direct parent company	Balance sheet value	Proportion of ownership interest and voting rights held by the direct parent company	Balance sheet value
	2013	2013	2012	2012
ING Insurance Eurasia N.V.	100%	16,371	100%	18,759
ING U.S., Inc.			100%	10,165
ING Insurance International B.V.	100%	2,171	100%	2,258
Other	100%	16	100%	16
		18,558		31,198

Changes in investments in group companies

	2013	2012
Opening balance	31,198	27,794
Repayments-capital contribution	–2,507	–134
Disposals of group companies	–7,451	–2
Revaluations	–5,877	2,024
Result of group companies	47	1,092
Capital contribution	3,150	424
Dividend	–2	
Closing balance	18,558	31,198

In 2013, Disposal of group companies includes the transfer of ING U.S.

2 OTHER ASSETS

Other assets

	2013	2012
Receivables from group companies	1,375	3,917
Other receivables, prepayments and accruals	518	563
	1,893	4,480

As at 31 December 2013, an amount of EUR 488 million (2012: EUR 4,433 million) is expected to be settled after more than one year from the balance sheet date.

Notes to the parent company annual accounts of NN Group N.V. continued

EQUITY
3 EQUITY

Equity

	2013	2012
Share capital		
Share premium	**11,605**	17,750
Share of associates reserve	**3,502**	7,252
Other reserves and unappropriated result	**–880**	1,421
	14,227	26,423

The Share of associates reserve includes the following components: Reserve for non-distributable retained earnings of associates of EUR 458 million (2012: EUR 340 million) and Revaluation reserve of associates of EUR 3,044 million (2012: EUR 8,397 million).

Share capital

	Ordinary shares (par value EUR 1.00)			
	Number x 1,000		Amount	
	2013	2012	**2013**	2012
Authorised share capital	**225**	225		
Unissued share capital	**180**	180		
Issued share capital	**45**	45	**0**	0

NN Group has an issued share capital of EUR 45,000. For details on the changes in 2013, in share premium, reference is made to Note 13: “Equity” of the Consolidated annual accounts.

Changes in other reserves and unappropriated result

2013	**Retained earnings**	**Unappro–priated result**	**Total**
Opening balance	**382**	**1,038**	**1,420**
Net result		**10**	**10**
Unrealised revaluations	**–45**		**–45**
Transfer to Share of associates’ reserve	**–118**		**–118**
Transfer to retained earnings	**805**	**–805**	**0**
Changes in the composition of the group and other changes	**44**		**44**
Impact of IPO ING U.S.	**–1,958**		**–1,958**
Dividend		**–233**	**–233**
Closing balance	**–890**	**10**	**–880**

Changes in other reserves and unappropriated result

2012	Retained earnings	Unappro–priated result	Total
Opening balance	512	–41	471
Net result		1,038	1,038
Unrealised revaluations	75		75
Transfer to Share of associates’ reserve	–164		–164
Transfer to retained earnings	–41	41	0
Closing balance	382	1,038	1,420

Positive components of the Share of associates reserve and Currency translation reserve cannot be freely distributed. The reserve for cash flow hedges is included in the Share of associates reserve on a net basis.

Retained earnings can be freely distributed, except for an amount equal to the negative balance in each of the components in the Currency translation reserve and Share of associates reserve. Unrealised gains and losses on derivatives, other than those used in cash flow hedges, are presented in the profit and loss account and are therefore part of Retained earnings.

Notes to the parent company annual accounts of NN Group N.V. continued

The total amount of Equity in the parent company annual accounts equals Shareholder's equity (parent) in the consolidated annual accounts. Certain components within equity are different, as a result of the following presentation differences between the parent company accounts and consolidated accounts:

- Unrealised revaluations within consolidated group companies, presented in the Revaluation reserve in the consolidated accounts, are presented in the Share of associates reserve in the parent company accounts;
- Foreign currency translation on consolidated group companies, presented in the Currency translation reserve in the consolidated accounts, is presented in the Share of associates reserve in the parent company accounts; and
- Revaluations on investment property and certain participations recognised in income and consequently presented in Retained earnings in the consolidated accounts, are presented in the Share of associates reserve in the parent company accounts.

The total amount of non-distributable reserves is EUR 3,502 million (2012: is EUR 7,252 million).

See Note 13 "Equity" in to the consolidated annual accounts for additional information.

Notes to the parent company annual accounts of NN Group N.V. continued

LIABILITIES
4 SUBORDINATED LOANS

Subordinated loans

Interest rate	Year of Issue	Due date		Notional amount	Balance sheet value 2013	2012
8.000%	2011	Perpetual	EUR	450	**450**	450
Variable	2008	Perpetual	EUR	813	**813**	834
Variable	2007	Perpetual	EUR	740	**740**	758
4.176%	2005	Perpetual	EUR	169	**176**	181
Variable	2005	Perpetual	EUR	148	**148**	152
Variable	2005	Perpetual	EUR	74	**74**	76
6.375%	2002	7 May 2027	EUR	476	**491**	496
					2,892	2,947

The subordinated loans rank subordinated to the other liabilities in a winding-up of NN Group.

5 OTHER LIABILITIES

Other liabilities by type

	2013	2012
Debenture loans		694
Amounts owed to group companies	**3,250**	5,554
Other amounts owed and accrued liabilities	**82**	60
	3,332	6,308

Debenture loans

Interest rate	Year of Issue	Due date	Balance sheet value 2013	2012
Floating	2006	Sep 2013		270
4.000%	2006	Sep 2013		424
			0	694

Amounts owed to group companies by remaining term

	2013	2012
Within 1 year	**2,873**	5,250
More than 5 years	**377**	304
	3,250	5,554

6 OTHER
Guarantees
As at 31 December 2013, NN Group N.V. had guarantees on behalf of ING Bank companies to third parties of nil (2012: EUR 221 million) outstanding.

NN Group N.V. has issued statements of liability in connection with Section 403, Book 2 of the Dutch Civil Code and other guarantees (mainly funding and redemption guarantees) for group companies.

REMUNERATION OF SENIOR MANAGEMENT, MANAGEMENT BOARD AND SUPERVISORY BOARD

See Note 52 “Related parties” to the consolidated Annual Accounts for additional information.

AUTHORISATION OF PARENT COMPANY ANNUAL ACCOUNTS

Amsterdam, 17 March 2014

THE SUPERVISORY BOARD

J. (Jeroen) van der Veer, chairman
P.A.F.W. (Peter) Elverding, vice-chairman
J.P. (Tineke) Bahlmann
H.W. (Henk) Breukink
C.W. (Carin) Gorter
J.H. (Jan) Holsboer
J.Ch.L. (Joost) Kuiper
H-J.M. (Hermann-Josef) Lamberti
I. (Isabel) Martín Castellá
R.W.P. (Robert) Reibestein
Y.C.M.T. (Yvonne) van Rooy
L.A.C.P. (Luc) Vandewalle

THE MANAGEMENT BOARD NN GROUP

R.A.J.G. (Ralph) Hamers, *CEO and chairman*
E. (Lard) Friese, vice-chairman
D. (Delfin) Rueda, *CFO*
S.D. (Doug) Caldwell, *CRO*
D.E. (Dorothee) van Vredenburch, *member*
P.G. (Patrick) Flynn, *member*
W.F. (Wilfred) Nagel, *member*

Independent auditor's report

To: the Shareholder, the Supervisory Board and the Management Board NN Group N.V.

REPORT ON THE ANNUAL ACCOUNTS

We have audited the accompanying annual accounts 2013 of NN Group N.V., Amsterdam (as set out on pages F2 to F168). The annual accounts include the consolidated annual accounts and the parent company annual accounts. The consolidated annual accounts comprise the consolidated balance sheet as at 31 December 2013, the profit and loss account, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes. The parent company annual accounts comprise the parent company balance sheet as at 31 December 2013, the parent company profit and loss account for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of these annual accounts in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the report of the Management Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual accounts.

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

Opinion with respect to the consolidated annual accounts

In our opinion, the consolidated annual accounts give a true and fair view of the financial position of NN Group N.V. as at 31 December 2013 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the parent company annual accounts

In our opinion, the parent company annual accounts give a true and fair view of the financial position of NN Group N.V. as at 31 December 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination of whether the report of the Management Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Report of the Management Board, to the extent we can assess, is consistent with the annual accounts as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 17 March 2014

Ernst & Young Accountants LLP

signed by A.F.J. van Overmeire

Proposed appropriation of result and Subsequent events

amounts in millions of euros

PROPOSED APPROPRIATION OF RESULT

The result is appropriated pursuant to Article 21 of the Articles of Association of NN Group N.V., the relevant stipulations of which state that the appropriation of result shall be determined by the General Meeting, having heard the advice of the Management Board.

For 2013, it is proposed to appropriate the entire result to reserves, so that no final dividend will be paid.

NN Group has transferred its interest in its subsidiary ING U.S., Inc. ("ING U.S.") to ING Groep N.V. by way of dividend in kind of EUR 6,826 million. Reference is made to Note 53 "Other events" for more details on the transaction.

In 2013, NN Group declared and paid a cash dividend of EUR 882 million (2012: nil) to ING Groep N.V. Reference is made to Note 13 "Equity" of the Consolidated annual accounts.

Proposed appropriation of result

Net result	**10**
Proposed to be added to the Other Reserves pursuant to Articles 21(2) and 21(3) of the Articles of Association	**10**

SUBSEQUENT EVENTS

Defined Benefits Pension Fund in The Netherlands

In February 2014 ING reached an agreement with the trade unions, the ING Pension Fund, the Central Works Council and the Association of Retired ING Employees (VSI) to transfer all future funding and indexation obligations of ING's current closed defined benefit plan in the Netherlands to the Dutch ING Pension Fund. The agreement has made the ING Pension Fund financially independent from ING.

The key elements of the agreement are:

- Responsibility for future indexation and funding thereof will be transferred to the Dutch ING Pension Fund;
- ING's obligation to restore the coverage ratio of the Dutch ING Pension Fund ceased;
- The cross guarantees between ING Bank and NN Group to jointly and severally fund the obligations of the Dutch ING Pension Fund are terminated;
- ING paid EUR 549 million (before tax) to the Dutch ING Pension Fund for the removal of these obligations; and
- ING will reduce the employees' own contribution to the pension premium under the new defined contribution plan by approximately EUR 80 million over a 6 year period.

As part of the agreement, ING Bank and NN Group are released from all financial obligations arising from the Dutch defined benefit plan. Accordingly, this plan will no longer be accounted for as a defined benefit plan and, consequently, it will be removed from the balance sheet. The removal of the net pension asset related to the Dutch defined benefit pension plan from the balance sheet of approximately EUR 0.6 billion after tax and the payment to the Dutch ING Pension Fund of EUR 0.5 billion (EUR 0.4 billion after tax) will result in a charge of approximately EUR 1.1 billion after tax to be recognised in 2014. Of this impact, EUR 0.4 billion will be attributed to NN Group.

Accounting for GMDB in Japan Closed Block VA

NN Group applies fair value accounting on the reserves for Guaranteed Minimum Death Benefits (GMDB) of the Japan Closed Block VA from 1 January 2014. This improves the alignment of the carrying value of the GMDB reserves with their market value, better reflects the economic value of these guarantees and improves the alignment of the accounting for the guarantees with the accounting for the related hedges. Furthermore, this move makes the accounting for the GMDB consistent with the accounting on the reserves for Guaranteed Minimum Accumulation and Withdrawal benefits. As at 1 January 2014, the difference between the current carrying value and the estimated fair value of the GMDB reserves was EUR 219 million (before tax). Implementation of fair value accounting for GMDB represents a change in accounting policy under IFRS-EU with a transitional impact of EUR 165 million after tax being reflected only in Shareholder's equity as of 1 January 2014. Results for comparative periods will be restated accordingly.

Proposed appropriation of result and subsequent events continued

DISCLAIMER

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Fiscal Agent, Calculation Agent and Paying Agent

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London E14 5AL
United Kingdom

Registrar and Transfer Agent

The Bank of New York Mellon (Luxembourg) S.A.
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