

NN Group reports 2Q17 results

Strong operating and commercial performance of the combined group; Solvency II ratio at 196%

- Operating result ongoing business was up from EUR 321 million in 2Q16 to EUR 404 million, of which Delta Lloyd contributed EUR 49 million. The operating result excluding Delta Lloyd increased by EUR 33 million
- Net result was down 28.2% from 2Q16 to EUR 240 million, of which Delta Lloyd contributed EUR 21 million. The net result excluding Delta Lloyd decreased by EUR 115 million, reflecting a provision related to ING Australia Holdings partly compensated by higher non-operating items
- Strong commercial momentum: APE was up 43.1% from 2Q16 at constant currencies to EUR 400 million, of which Delta Lloyd contributed EUR 66 million. VNB for 6M17 was up 69.4% to EUR 170 million driven by Japan Life and Insurance Europe
- Solvency II ratio of NN Group was 196% reflecting the acquisition of Delta Lloyd, positive market impacts, operating return and the deduction of the 2017 interim dividend
- Holding company cash capital was EUR 1,731 million; including EUR 820 million dividends received from subsidiaries and EUR 500 million capital injection into Delta Lloyd Life
- Interim dividend 2017 of EUR 0.62 per ordinary share or approximately EUR 209 million

Statement of Lard Friese, CEO

'Today we are reporting our first fully consolidated set of quarterly results for NN Group and Delta Lloyd, and I am pleased with the strong overall performance of the combined group in the second quarter of 2017. We have seen a healthy contribution from Delta Lloyd, and almost all our segments reported improved results compared with a year earlier, most notably in Japan Life and Insurance Europe. The results of our Netherlands Non-life business were impacted this quarter by a EUR 40 million strengthening in the Property & Casualty insurance liabilities. We continued to deliver cost efficiencies across our businesses, leading to a further reduction of our cost base. The Solvency II ratio was 196%, providing a solid foundation for the combined group going forward. The commercial momentum we saw earlier has been sustained, as both sales and the value of our new business increased significantly, and NN Investment Partners again attracted robust Third Party net inflows.

We have made steady progress in our first quarter together with Delta Lloyd, and a start has been made to integrate our businesses, with the aim of taking the combined group into the next phase of our journey. Integrating two organisations and business cultures requires effort and focus. Throughout this process, our employees remain committed to deliver an excellent customer service, further innovate our businesses and to contribute to the societies in which we operate.

We are excited to start this new chapter as a combined group, reporting a first strong set of results. While we bring together the best of our businesses and cultures to integrate NN and Delta Lloyd in the Netherlands and Belgium, our focus remains on disciplined capital management, a strong balance sheet, and on driving ahead with full energy to further improve the customer experience across our 18 markets.'

NN Group key figures

In EUR million	2Q17	2Q16	Change	6M17	6M16	Change
Operating result ongoing business ¹⁾	404	321	25.8%	810	626	29.4%
Net result	240	335	-28.2%	676	605	11.6%
Net operating ROE ¹⁾⁹⁾²²⁾	10.7%	8.6%		10.9%	8.6%	
	2Q17	1Q17	Change	6M17	6M16	Change
Solvency II ratio ²⁾	196%	238%		196%	252%	

Note: All footnotes are included on page 31

Quarterly Business Update

NN Group's robust financial position provides a solid foundation for executing the company's strategy, which is to deliver an excellent customer experience based on transparent products and services and long-term relationships. NN Group aims to help people secure their financial futures, and is committed to delivering products and services that are easy to understand and meet customers' lifetime needs.

Capturing growth

With the acquisition of Delta Lloyd, NN's proposition in the Dutch pension market was further strengthened, especially in the area of Defined Contribution (DC) pensions. Delta Lloyd brings significant additional DC business to the existing NN portfolio, leading to a combined #1 market position in DC. The first half of 2017 also showed a steady inflow of new contracts at AZL, NN Life's pension administrator, for a number of industry pension funds. These new contracts will significantly increase the total number of participants from almost 900,000 to 1,250,000 as from 1 January 2018.

Our general pension fund 'De Nationale APF' signed a contract with a new client, McCain. De Nationale APF is an independent entity which provides an attractive solution for pension funds and employers to comply with increasingly complex pension regulations and to benefit from economies of scale.

In the second quarter of 2017, the sale of protection products of Insurance Europe grew by 47.8% across the region compared with the same quarter in 2016. Several of our business units in Europe developed health products. For example, our Spanish business expanded the 'For You' proposition to tied agents. This product provides specific coverage for the diagnoses of breast cancer and offers specific services such as a second medical opinion, homecare and childcare services. A campaign raising awareness for cancer prevention, supported the marketing of the product.

NN Hellas in Greece introduced a new health insurance programme, 'NN Orange Health'. This is specifically designed to meet the needs of young families, as it covers up to six insured people in the same policy. NN Orange Health provides access to more than 40 private hospitals in Greece at an affordable price. It includes coverage abroad, medical expenses in the event of an accident, surgical allowance, and urgent transportation within Greece.

The NN Accident Insurance packages of NN Hungary have proven to be successful, with more than 10,000 policies sold to date, since its launch in the second quarter of 2016. Offered online, the packages provide specific coverage in the event of an accident, including coverage for daily hospital costs and loss of income, plus a rider covering the costs of physiotherapy, assistance service and help at home. The demand for this product shows that customers are becoming more conscious about preparing for the loss of income due to an accident. In addition to this, new riders were added to Motiva, NN Hungary's easy-to-understand pension insurance product.

NN Investment Partners saw positive net flows for Third Party assets for the fourth consecutive quarter amounting to EUR 3.1 billion in the second quarter. And our banking businesses - NN Bank and Delta Lloyd Bank - grew their combined mortgage portfolio by EUR 0.5 billion to EUR 17.4 billion in the second quarter of 2017. During that same period, their customer savings grew by EUR 0.2 billion to EUR 13.7 billion.

Multi-access distribution

NN Group serves its customers through multiple channels, comprising tied agents, bancassurance partners, brokers and direct channels.

Following the acquisition of Delta Lloyd, the distribution capabilities of NN Group have been expanded with the inclusion of its direct channel OHRA and bank distribution channel ABN AMRO Insurance in the Netherlands. ABN AMRO Insurance provides ABN AMRO customers with life and non-life insurance product and service solutions in the Retail and SME segments. With over a million customers serviced through call centres, internet and branches, ABN AMRO Insurance is an attractive bancassurance platform in the Netherlands. In Belgium, the distribution scope has been broadened with the brokers and direct channels of Delta Lloyd Life Belgium.

In the second quarter of 2017, our businesses in Europe added new banks to the bancassurance platform, through which life and non-life products are offered. NN Bulgaria added three new banks, and in the Czech Republic the cooperation with Moneta Money Bank is showing positive results with a significant increase in sales of life insurance policies and pensions. Nationale-Nederlanden in Poland started offering health insurance packages to customers through its strategic partnership with ING Bank Śląski, using their online banking channel.

NN Hayat ve Emeklilik launched a new partnership with Abank, a player in the Turkish and international market. This partnership enables customers to have access to NN Hayat ve Emeklilik's product portfolio through Abank's 53 branches across Turkey, over the next 5 years.

Bancassurance COLI sales for Japan Life increased by 26.4% at constant currencies, compared with the second quarter of 2016, despite increasing competition. Higher sales were driven by the higher bank activation and the expansion of the bank distribution network to 68 partners as of end of June 2017, compared with 57 partners a year earlier. Furthermore, Sumitomo Life started offering NN Life Japan's COLI products from the beginning of April 2017, contributing over 10% of Japan Life's total sales this quarter.

Effective and efficient operations

NN Group is committed to making its processes as efficient and effective as possible. The businesses in the Netherlands are working on the integration process with Delta Lloyd, but at the same time continue to implement efficiency initiatives. For example, NN Life is separating its pension business into Pension Services and Pensions New Business to further improve the customer experience for both segments.

Furthermore, NN Life has successfully migrated around 140,000 policies to a new platform. This system creates a flexible cost structure and enables our customers and tied agents to see their product details online.

Innovation

NN's innovation lab, Sparklab, in Hungary is developing several health initiatives, including a mobile application connected to a smart device to help those living with diabetes. The aim of the project is to use technology to help people to take care of their health and make it easier to follow their health status and results. Sparklab in the Netherlands launched 'Bundelz', the first prepaid car insurance. It allows customers to buy a 1,000-kilometre bundle of car insurance, instead of paying a monthly premium. This user based service is ideal for drivers who only drive occasionally, or short distances. The Dutch Cyber Collective, an NN initiative supporting SMEs to reduce cybercrime, launched the 'Cyberwacht', an emergency service for hacked companies. The Cyberwacht limits damage, investigates causes and removes malicious software.

We offer our agents and employees digital tools to simplify and improve the experience of our customers. For example, we are deploying new digital illustration tools for our agents to help customers select the right products and services. Paperless application processes, including electronic underwriting and biometric signatures, enable our customers to access our products and services effortlessly.

Movir, which offers individual disability insurance to self-employed workers in the Netherlands, joined forces with Totem Open Health, an innovative start-up in the mobile health sector, aimed at detecting and addressing people's high stress levels. Based on data from ECG sensors using Totem, a person's stress level can be monitored, which, if needed, prompts the user to seek timely help in order to prevent potential burnout.

Other events

As part of our commitment to society, NN Group endorsed the final recommendations of the Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures. A consistent disclosure framework helps us as an investor and insurer, to more effectively measure the financial implications of climate change. To demonstrate that climate change warrants specific attention, NN Group has published the carbon footprint of a large part of its proprietary assets, and joined the Institutional Investors Group on Climate Change (IIGCC). These steps help us to engage with investee companies to encourage them to reduce greenhouse gas emissions and support the Paris Agreement.

OHRA, Delta Lloyd's direct distribution channel for healthcare and non-life protection products won a SAN Accent Award for its health insurance campaign in the Netherlands.

Consolidated results

Consolidated profit and loss account and key figures NN Group

In EUR million	2Q17	2Q16	Change	6M17	6M16	Change
Analysis of results¹⁾						
Netherlands Life	290	193	50.9%	511	369	38.3%
Netherlands Non-life	-27	19		4	28	-86.0%
Insurance Europe	73	52	41.1%	115	86	34.1%
Japan Life	37	23	62.2%	123	90	36.0%
Asset Management	37	33	12.6%	70	62	13.7%
Other	-7	2		-12	-9	
Operating result ongoing business	404	321	25.8%	810	626	29.4%
Non-operating items ongoing business	211	153	38.1%	379	274	38.1%
of which gains/losses and impairments	132	88	49.1%	276	117	135.8%
of which revaluations	34	40	-16.6%	86	103	-16.7%
of which market & other impacts	45	24	90.5%	17	54	-68.9%
Japan Closed Block VA	12	-28		-8	-97	
Special items before tax	-68	-20		-87	-46	
Amortisation of acquisition intangibles	-33	0		-33	0	
Result on divestments	-188	0		-179	0	
Result before tax	338	426	-20.8%	882	758	16.4%
Taxation	92	91	0.4%	200	152	31.9%
Minority interests	6	0		6	0	
Net result	240	335	-28.2%	676	605	11.6%
Basic earnings per ordinary share in EUR ³⁾	0.69	1.01		2.00	1.81	
Key figures ongoing business¹⁾						
Gross premium income	2,945	2,020	45.8%	6,343	5,299	19.7%
New sales life insurance (APE)	400	284	40.6%	1,020	762	33.8%
Value of new business (VNB)				170	101	69.4%
Total administrative expenses	582	426	36.7%	1,009	850	18.7%
Cost/income ratio (Administrative expenses/Operating income)	31.8%	33.5%		31.4%	33.2%	
Combined ratio (Netherlands Non-life) ⁴⁾⁵⁾	107.4%	99.8%		103.2%	100.1%	
Investment margin/Life general account invested assets (bps) ⁷⁾	70	101				
Net operating result ⁸⁾	321	246	30.8%	620	488	27.2%
Net operating ROE ⁹⁾²²⁾	10.7%	8.6%		10.9%	8.6%	
Key figures ongoing business						
Asset Management Assets under Management	245	194	26.4%	245	197	24.6%
Life general account invested assets	136	91	48.8%	136	88	54.9%
Total provisions for insurance & investment contracts	159	104	52.3%	159	109	45.3%
of which for risk policyholder	29	18		29	23	
NN Life Solvency II ratio ²⁾	220%	197%		220%	239%	
Delta Lloyd Life Solvency II ratio ²⁾	139%			139%		
Japan Closed Block VA						
Account value ⁶⁾	6,546	7,926	-17.4%	6,546	9,064	-27.8%
Number of policies	122,394	145,457	-15.9%	122,394	173,806	-29.6%
Total NN Group						
Solvency II ratio ²⁾	196%	238%		196%	252%	
Total assets ²²⁾	232	167	38.5%	232	178	30.4%
Shareholders' equity ⁶⁾²²⁾	21,824	22,108	-1.3%	21,824	25,243	-13.5%
Employees (internal FTEs, end of period)	15,000	11,327	32.4%	15,000	11,443	31.1%

Note: All footnotes are included on page 31

- NN Group's operating result of the ongoing business increased from EUR 321 million in the second quarter of 2016 to EUR 404 million, of which Delta Lloyd contributed EUR 49 million. The operating result excluding Delta Lloyd increased by EUR 33 million, driven by higher results at most segments partly offset by EUR 40 million strengthening of P&C insurance liabilities in Netherlands Non-life
- The result before tax decreased from EUR 426 million in the second quarter of 2016 to EUR 338 million, of which Delta Lloyd contributed EUR 28 million. The result before tax excluding Delta Lloyd decreased by EUR 116 million, reflecting a provision related to ING Australia Holdings, higher special items and the amortisation of acquisition intangibles, partly compensated by higher non-operating items, an improved result of Japan Closed Block VA and the higher operating result
- New sales (APE) were up 43.1% from the second quarter of 2016 on a constant currency basis to EUR 400 million of which Delta Lloyd contributed EUR 66 million. The new sales excluding Delta Lloyd increased by EUR 50 million, driven by higher sales at Netherlands Life, Insurance Europe and Japan Life
- VNB for the first six months of 2017 increased 69.4% to EUR 170 million, of which Delta Lloyd contributed EUR 7 million. The VNB excluding Delta Lloyd increased by EUR 63 million driven by Japan Life and Insurance Europe

Inclusion of Delta Lloyd and accounting alignments

The acquisition date of Delta Lloyd by NN Group for acquisition accounting under IFRS is 7 April 2017. NN Group used 1 April 2017 as a proxy for the acquisition date for practical reasons as the developments between 1 April 2017 and 7 April 2017 had no material impact. As a result, Delta Lloyd is included in the NN Group consolidation for the full second quarter of 2017.

All financial assets and liabilities (including investments, loans and funding liabilities) of Delta Lloyd were remeasured to fair value. Insurance liabilities were remeasured to fair value as defined in IFRS, applying a market consistent discount rate. Acquisition related intangible assets (mainly brand names, client relationships and distribution agreements) and goodwill were recognised. The acquisition related intangibles will be amortised through the profit and loss account over their useful life in the line 'amortisation of acquisition intangibles'. The amount of goodwill recognised will be tested for impairment at least annually going forward.

NN Group has accounted for the acquisition using provisional values and will recognise any adjustments to these provisional values within the twelve-month period from the acquisition date as amendments to the initial accounting. The provisional values of the assets and liabilities acquired as at 1 April 2017 differ significantly from the values of the assets and liabilities in the balance sheet of Delta Lloyd immediately before the acquisition by NN Group, as they were remeasured to fair value at the date of acquisition.

The NN Group accounting principles are applied for all Delta Lloyd entities and the NN Group results and key metrics include Delta Lloyd figures for the second quarter of 2017. No comparative figures are provided for past periods, except for administrative expenses, for which pro-forma figures are included in the NN Group 2Q17 Financial Supplement for the four quarters of 2016 and the first quarter of 2017 for Netherlands Life, Netherlands Non-life, Asset Management, the segment Other and Belgium including administrative expenses for the Delta Lloyd entities based on NN Group's definition.

As of the second quarter of 2017, the Delta Lloyd entities are included within the relevant segments of NN Group. Delta Lloyd Life (Delta Lloyd Levensverzekering), the life results of ABN AMRO Insurance and BeFrank are included in the segment Netherlands Life. Delta Lloyd Non-life (Delta Lloyd Schadeverzekering), the non-life results of ABN AMRO Insurance and the broker results related to health insurance products are included in the segment Netherlands Non-life. Delta Lloyd Life Belgium is included in the segment Insurance Europe and Delta Lloyd Asset Management is included in the segment Asset Management. Delta Lloyd Bank and Delta Lloyd holding entities are included in the segment Other.

Other relevant changes in the second quarter of 2017 are as follows. The calculation methodology for the combined ratio of the segment Netherlands Non-life has been updated to better reflect market practice. The discount rate unwind on the insurance liabilities related to the Disability & Accident business is now excluded from the calculation of the combined ratio. Historical figures for the four quarters of 2016 and the first quarter of 2017 have been updated to reflect this change. As of the second quarter of 2017, changes in the unit-linked guarantee provision for both NN Group and Delta Lloyd are reported in the line market & other impacts at Netherlands Life. Market & other impacts also includes the movement of provisions related to guarantees on the NN Group and Delta Lloyd Life separate account pension contracts at Netherlands Life.

Operating result

The operating result of the ongoing business was up from EUR 321 million in the second quarter of 2016 to EUR 404 million, of which Delta Lloyd contributed EUR 49 million. The operating result excluding Delta Lloyd increased by EUR 33 million, driven by higher results at most segments partly offset by the impact of a EUR 40 million strengthening of P&C insurance liabilities in Netherlands Non-life.

The operating result of Netherlands Life increased from EUR 193 million in the second quarter of 2016 to EUR 290 million, of which Delta Lloyd contributed EUR 57 million. The current quarter result for Delta Lloyd benefited from non-recurring and seasonal items for a total amount of EUR 16 million. The operating result excluding Delta Lloyd increased by EUR 41 million, mainly driven by a higher investment margin and lower administrative expenses. The current quarter result was supported by a EUR 14 million dividend from an indirect stake in ING Life Korea.

The operating result of Netherlands Non-life was EUR 19 million in the second quarter of 2016 versus EUR -27 million in the second quarter of 2017, of which EUR -6 million related to Delta Lloyd. The operating result excluding Delta Lloyd decreased to EUR -21 million from EUR 19 million in the second quarter of 2016, which included the impact of severe storms of EUR 28 million offset by very favourable underwriting results in Disability & Accident. The current quarter reflects unfavourable results in Property & Casualty following a EUR 40 million strengthening of insurance liabilities in the Motor and Miscellaneous portfolios of the NN Non-life company, as well as EUR 16 million of large fire claims related to Delta Lloyd. The combined ratio for Netherlands Non-life was 107.4% versus 99.8% in the second quarter of 2016, both based on the revised calculation methodology.

The operating result of Insurance Europe increased from EUR 52 million in the second quarter of 2016 to EUR 73 million, of which Delta Lloyd Belgium contributed EUR 4 million. The operating result excluding Delta Lloyd increased by EUR 17 million reflecting higher fees and premium-based revenues and lower DAC amortisation and trail commissions. The current quarter result benefited from non-recurring and seasonal items for a total amount of EUR 9 million.

The operating result of Japan Life was EUR 37 million, up 68.0% from the second quarter of 2016, excluding currency effects, reflecting a higher technical margin, higher fees and premium-based revenues and an improvement in the investment margin, partially offset by increased expenses.

The operating result of Asset Management increased from EUR 33 million in the second quarter of 2016 to EUR 37 million, driven by higher fees partly offset by higher expenses. The contribution of Delta Lloyd was EUR 0 million as fees were offset by expenses.

The operating result of the segment Other declined from EUR 2 million in the second quarter of 2016 to EUR -7 million, of which EUR -5 million related to Delta Lloyd. The operating result excluding Delta Lloyd decreased by EUR 4 million, mainly due to EUR 10 million higher holding expenses partly compensated by a EUR 8 million higher result of NN Bank. The operating result of NN Bank increased reflecting a higher interest margin and a lower addition to the loan loss provision.

In the first six months of 2017, the operating result of the ongoing business increased from EUR 626 million in the same period last year to EUR 810 million, of which Delta Lloyd contributed EUR 49 million. The operating result excluding Delta Lloyd increased EUR 135 million, driven by improved results in most segments partly offset by the impact of the strengthening of P&C insurance liabilities in Netherlands Non-life.

NN Group continues to focus on cost efficiencies and realising the cost synergies from the acquisition of Delta Lloyd. The administrative expenses of the Delta Lloyd businesses have been restated on a pro-forma basis to the NN Group definition for such expenses, for 2016 and the first quarter of 2017. The administrative expenses in the business units in the scope of the integration - Netherlands Life, Netherlands Non-life, Asset Management, the segment Other and Belgium - decreased by EUR 22 million in the first half of 2017. At the end of the second quarter of 2017, the administrative expense base amounted to EUR 2,002 million on a last 12-months basis versus EUR 2,024 million for the full year 2016.

Result before tax

The result before tax decreased from EUR 426 million in the second quarter of 2016 to EUR 338 million, reflecting a provision related to ING Australia Holdings, higher special items and the amortisation of acquisition intangibles. These items were partly compensated by higher non-operating items, an improved result of Japan Closed Block

VA, as well as the higher operating result. The contribution of Delta Lloyd to the result before tax was EUR 28 million.

Gains/losses and impairments were EUR 132 million compared with EUR 88 million in the second quarter of 2016. The current quarter reflects EUR 111 million of gains on the sale of public equities and EUR 37 million of gains on the sale of government bonds, partly offset by EUR 14 million of impairments on debt and public equity.

Revaluations were EUR 34 million compared with EUR 40 million in the second quarter of 2016. The current quarter reflects EUR 76 million positive revaluations on real estate and EUR 53 million on private equity, partly offset by EUR -92 million of negative revaluations of derivatives.

Market and other impacts were EUR 45 million compared with EUR 24 million in the second quarter of 2016. The current quarter reflects the movement in the provisions for unit-linked guarantees and separate account pension contracts (both net of hedging) at Netherlands Life.

The result before tax of Japan Closed Block VA improved to EUR 12 million compared with EUR -28 million in the second quarter of 2016, which included negative hedge-related results due to higher market volatility.

Special items amounted to EUR -68 million compared with EUR -20 million in the second quarter of 2016. The special items in the current quarter include EUR 40 million of expenses related to the acquisition and integration of Delta Lloyd, as well as EUR 19 million restructuring expenses.

Amortisation of acquisition intangibles amounted to EUR 33 million in the second quarter of 2017.

The result on divestments amounted to EUR -188 million in the second quarter of 2017, reflecting a provision related to ING Australia Holdings.

The result before tax increased from EUR 758 million in the first six months of 2016 to EUR 882 million in the first six months of 2017, of which Delta Lloyd contributed EUR 28 million. The result before tax excluding Delta Lloyd increased by EUR 97 million reflecting the higher operating result of the ongoing business, higher non-operating items and improved results at Japan Closed Block VA, partly offset by a provision related to ING Australia Holdings, higher special items and the amortisation of acquisition intangibles.

Net result

The net result decreased from EUR 335 million in the second quarter of 2016 to EUR 240 million, of which Delta Lloyd contributed EUR 21 million. The net result excluding Delta Lloyd decreased by EUR 115 million. The effective tax rate in the second quarter of 2017 was 27.1%, reflecting a provision related to ING Australia Holding which is non-deductible as well as tax-exempt dividends and capital gains in the Netherlands related to shareholdings of 5% or more. The EUR 6 million minority interest reflects the net result attributable to ABN AMRO insurance.

Sales and Value of New Business

Total new sales (APE) at NN Group were up from EUR 284 million in the second quarter of 2016 to EUR 400 million, of which Delta Lloyd contributed EUR 66 million. The new sales excluding Delta Lloyd increased by EUR 50 million. New sales were up 8.1% at Netherlands Life excluding Delta Lloyd driven by higher renewals of group pension contracts and higher sales of immediate annuities. At Insurance Europe excluding Delta Lloyd, new sales were up 28.7% on a constant currency basis, driven by higher life sales across the region. New sales at Japan Life were up 14.1% at constant currencies, supported by strong sales of a new COLI increasing term product launched in March 2017 and sales through the Sumitomo partnership which started in April 2017.

In the first six months of 2017, total new sales were up 33.7% on a constant currency basis to EUR 1,020 million, of which Delta Lloyd contributed EUR 66 million. New sales excluding Delta Lloyd increased by EUR 192 million, driven by higher sales in Netherlands Life, Insurance Europe and Japan Life.

In the first six months of 2017 the value of new business (VNB) increased from EUR 101 million in the same period last year to EUR 170 million, of which Delta Lloyd contributed EUR 7 million. The VNB excluding Delta Lloyd increased by EUR 63 million, driven by higher sales at better margins at Japan Life and Insurance Europe.

Net operating Return On Equity (ROE)

The net operating ROE of the ongoing business of NN Group increased to 10.7% compared with 8.6% in the second quarter of 2016, driven by a higher net operating result.

For the same reasons, the net operating ROE in the first six months of 2017 increased to 10.9% from 8.6% in the same period in 2016.

Other events

Sale of NN Life Luxembourg

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

Unit-linked products in the Netherlands

On 22 June 2017, the Appeals Committee of the KiFiD ruled in an individual case that was initiated by one of Nationale-Nederlanden's (NN) customers, that NN, at the time of selling the unit-linked product, should have provided more information to this customer than was prescribed by the laws and regulations applicable at that time. On 19 July 2017, the District Court in Rotterdam rendered a judgment in a collective action against NN in respect of unit-linked products. The Court rejected all claims of 'Vereniging Woekerpolis.nl' and ruled that NN has generally provided sufficient information on costs and premiums. The Court's judgment is in line with NN's view that the provision of information needs to be assessed against the laws and regulations and norms applicable at the time of concluding the unit-linked insurance policy. The Court did not follow the line of reasoning of the Appeals Committee of the KiFiD in the individual claim proceedings leading to the ruling of 22 June 2017. The ruling of the District Court in Rotterdam is subject to appeal and does not change earlier statements and conclusions disclosed by NN Group in relation to unit-linked products. Dutch Courts and KiFiD will continue to provide rulings with respect to unit-linked products in proceedings against NN and other Dutch insurance companies. NN continues to reach out to customers to encourage them to carefully assess their unit-linked products in order to find an appropriate solution on an individual basis, where needed.

Australia

As previously disclosed, in April 2015 the Australian Taxation Office (ATO) commenced a Tax Audit on ING Australia Holdings Ltd. The Tax Audit concerns the years 2007-2013 and focused on the currency denomination of and interest on intercompany loans which resulted from the disposal of the insurance and asset management businesses in Australia. ING Australia Holdings was transferred by NN Group to ING Group in 2013 as part of which it was agreed that NN Group remains liable for any damages resulting from tax claims. An Independent Review of the Tax Audit was completed by the ATO in July 2017. In the second quarter, NN Group recognised a provision on the IFRS and Solvency II balance sheets for the amount of the expected claim of AUD 279 million (EUR 188 million at current exchange rates). This does not reflect that the final assessment will be subject to appeal by ING Australia Holdings which may be successful, and also that NN Group may be able to recover part of the amount in its Dutch tax return. The Tax Audit concerns a former subsidiary of NN Group and, therefore, does not impact NN Group's business or strategy going forward.

Netherlands Life

- Operating result increased from EUR 193 million in the second quarter of 2016 to EUR 290 million, of which Delta Lloyd contributed EUR 57 million. The operating result excluding Delta Lloyd increased by EUR 41 million, driven by a higher investment margin and lower administrative expenses
- Result before tax increased from EUR 347 million in the second quarter of 2016 to EUR 419 million, of which Delta Lloyd contributed EUR 26 million. Result before tax excluding Delta Lloyd increased by EUR 45 million, driven by the higher operating result and higher non-operating items

In EUR million	2Q17	2Q16	Change	6M17	6M16	Change
Analysis of results						
Investment margin	254	209	21.3%	452	400	13.0%
Fees and premium-based revenues	127	79	62.1%	216	176	22.6%
Technical margin	55	21	163.6%	98	30	226.2%
Operating income non-modelled business	0	0		0	0	
Operating income	436	309	41.2%	766	606	26.3%
Administrative expenses	134	107	25.0%	233	216	8.1%
DAC amortisation and trail commissions	11	9	28.1%	22	21	2.3%
Expenses	146	116	25.2%	255	237	7.6%
Operating result	290	193	50.9%	511	369	38.3%
Non-operating items	141	156	-9.8%	284	257	10.4%
of which gains/losses and impairments	76	91	-15.9%	191	96	98.0%
of which revaluations	19	39	-51.4%	76	103	-26.5%
of which market & other impacts	46	26	74.0%	17	58	-70.2%
Special items before tax	-12	-1		-22	-2	
Result on divestments	0	0		0	0	
Result before tax	419	347	20.7%	772	624	23.7%
Taxation	70	69	1.0%	139	120	16.3%
Minority interests	3	0		4	0	
Net result	346	278	24.4%	629	504	24.9%
New business						
Single premiums	112	65	71.5%	195	166	17.2%
Regular premiums	74	26	181.3%	268	179	49.5%
New sales life insurance (APE)	85	33	159.6%	288	196	46.7%
Value of new business				6	6	-2.4%
Key figures						
Gross premium income	763	435	75.1%	1,642	1,419	15.8%
Total administrative expenses	134	107	25.0%	233	216	8.1%
Cost/income ratio (Administrative expenses/Operating income)	30.8%	34.8%		30.5%	35.6%	
Investment margin/Life general account invested assets (bps) ⁷⁾	85	128				
Net operating ROE ¹⁰⁾	12.5%	8.7%		12.0%	8.7%	

In EUR billion	2Q17	1Q17	Change	6M17	6M16	Change
Key figures						
Life general account invested assets	102	67	53.2%	102	64	59.3%
Total provisions for insurance & investment contracts	115	72	60.3%	115	75	53.0%
of which for risk policyholder	22	13	74.2%	22	15	44.3%
Allocated equity (end of period) ⁶⁾¹⁰⁾	15,298	15,152	1.0%	15,298	17,818	-14.1%
NN Life Solvency II ratio ²⁾	220%	197%		220%	239%	
Delta Lloyd Life Solvency II ratio ²⁾	139%			139%		
Employees (internal FTEs, end of period)	2,664	2,046	30.2%	2,664	2,078	28.2%

The operating result of Netherlands Life increased from EUR 193 million in the second quarter of 2016 to EUR 290 million, of which Delta Lloyd contributed EUR 57 million. The current quarter result for Delta Lloyd benefited from non-recurring and seasonal items for a total amount of EUR 16 million. The operating result excluding Delta Lloyd increased by EUR 41 million, mainly driven by a higher investment margin and lower administrative expenses.

The investment margin increased from EUR 209 million in the second quarter of 2016 to EUR 254 million, of which Delta Lloyd contributed EUR 21 million. The investment margin excluding Delta Lloyd increased by EUR 24 million mainly driven by a EUR 14 million dividend from an indirect stake in ING Life Korea following its IPO in May 2017 and higher returns on equity and real estate. Increased allocation to higher-yielding assets partly offset the impact of the low interest rate environment on reinvestments. The investment spread for Netherlands Life, calculated on a four-quarter rolling average, decreased to 85 basis points from 128 basis points in the second quarter of 2016. The decrease reflects the inclusion of the Delta Lloyd invested assets and insurance liabilities at market yields, which have been remeasured to fair value as at 1 April 2017.

Fees and premium-based revenues increased from EUR 79 million in the second quarter of 2016 to EUR 127 million, of which Delta Lloyd contributed EUR 51 million. Fees and premium-based revenues excluding Delta Lloyd decreased by EUR 2 million, mainly due to the individual life closed book run-off.

The technical margin increased from EUR 21 million in the second quarter of 2016 to EUR 55 million, of which Delta Lloyd contributed EUR 27 million. The technical margin excluding Delta Lloyd increased by EUR 7 million as the second quarter of 2016 was impacted by a EUR 7 million addition to the unit-linked guarantee provision due to lower interest rates. As of the current quarter, changes in the unit-linked guarantee provision are reported as market & other impacts (non-operating items) which includes a release of EUR 6 million in the current quarter due to higher interest rates.

Administrative expenses increased from EUR 107 million in the second quarter of 2016 to EUR 134 million, of which Delta Lloyd contributed EUR 38 million. The administrative expenses excluding Delta Lloyd decreased by EUR 12 million reflecting lower staff related expenses and lower IT-related expenses.

DAC amortisation and trail commissions increased from EUR 9 million in the second quarter of 2016 to EUR 11 million, of which Delta Lloyd contributed EUR 3 million.

The result before tax increased from EUR 347 million in the second quarter of 2016 to EUR 419 million, of which Delta Lloyd contributed EUR 26 million. The result before tax excluding Delta Lloyd increased by EUR 45 million. Gains/losses and impairments were EUR 76 million, reflecting capital gains on the sale of government bonds and equity investments, partly offset by impairments on equity investments. Revaluations were EUR 19 million, of which EUR -63 million related to Delta Lloyd, reflecting positive revaluations on private equity and real estate partly offset by the negative market impacts of derivatives used for hedging purposes in Delta Lloyd Life. Market and other impacts were EUR 46 million, of which EUR 33 million related to Delta Lloyd, reflecting movements in the provisions for unit-linked guarantees and separate account pension contracts (both net of hedging).

New sales (APE) increased from EUR 33 million in the second quarter of 2016 to EUR 85 million, of which Delta Lloyd contributed EUR 50 million mainly reflecting defined contribution pension business. APE excluding Delta Lloyd increased by EUR 3 million, driven by higher renewals of group pension contracts and higher sales of immediate annuities.

In the first six months of 2017, Netherlands Life's operating result increased from EUR 369 million in the same period last year to EUR 511 million, of which Delta Lloyd contributed EUR 57 million. Excluding Delta Lloyd, the operating result increased by EUR 85 million driven by a higher investment margin and lower administrative expenses. This was partly offset by lower fees and premium-based revenues, reflecting the run-off of the individual life closed book as well as lower margins in the pension business. The technical margin of the first six months of 2016 was impacted by an addition to the unit linked guarantee provision of EUR 32 million.

The result before tax increased from EUR 624 million in the first six months of 2016, to EUR 772 million of which Delta Lloyd contributed EUR 26 million. Excluding Delta Lloyd, this increase was driven by the higher operating result and higher realised gains on government bonds and equity investments, partly offset by negative market and other impacts reflecting movements in the provisions for unit-linked guarantees and separate account pension contracts.



New sales (APE) increased to EUR 288 million in the first six months of 2017 from EUR 196 million in the same period last year. The new sales excluding Delta Lloyd increased by EUR 42 million, mainly driven by higher sales of defined contribution pensions.

The value of new business (VNB) was EUR 6 million in the first six months of 2017, of which Delta Lloyd contributed EUR 3 million.

Netherlands Non-life

- Operating result decreased from EUR 19 million in the second quarter of 2016 to EUR -27 million, of which EUR -6 million related to Delta Lloyd; the operating result excluding Delta Lloyd decreased by EUR 40 million mainly due to a EUR 40 million strengthening of insurance liabilities in P&C
- Combined ratio was 107.4% versus 99.8% in the second quarter of 2016, both based on the revised calculation methodology; the current quarter reflects the strengthening of insurance liabilities in P&C, while the second quarter last year reflects the impact of the summer storms in P&C offset by very favourable underwriting performance in D&A

In EUR million	2Q17	2Q16	Change	6M17	6M16	Change
Analysis of results						
Earned premiums	700	386	81.3%	1,099	770	42.7%
Investment income	32	32	0.5%	60	56	6.3%
Other income	1	-1		1	0	
Operating income	732	417	75.5%	1,160	827	40.3%
Claims incurred, net of reinsurance	567	284	99.5%	848	573	48.1%
Acquisition costs	106	62	70.6%	170	121	40.8%
Administrative expenses	94	54	74.0%	147	108	36.1%
Acquisition costs and administrative expenses	200	116	72.2%	317	229	38.6%
Expenditure	767	400	91.6%	1,165	802	45.4%
Operating result insurance businesses	-35	17	-302.8%	-5	25	-119.6%
Operating result health business and broker businesses	8	2	274.6%	9	3	200.4%
Total operating result	-27	19	-240.6%	4	28	-86.0%
Non-operating items	12	5	145.3%	16	31	-49.1%
of which gains/losses and impairments	2	0	614.5%	4	23	-81.3%
of which revaluations	10	5	111.7%	11	8	49.0%
of which market & other impacts	0	0		0	0	
Special items before tax	-2	-6		-2	-12	
Result on divestments	0	0		0	0	
Result before tax	-17	19	-189.2%	18	47	-63.0%
Taxation	-5	3	-248.3%	2	10	-78.1%
Minority interests	2	0		2	0	
Net result	-14	15	-192.7%	13	38	-65.6%
Key figures						
Gross premium income	653	292	123.8%	1,441	1,052	37.0%
Total administrative expenses ¹¹⁾	113	69	64.3%	176	139	26.5%
Combined ratio ⁴⁾⁵⁾	107.4%	99.8%		103.2%	100.1%	
of which Claims ratio ⁴⁾⁵⁾	78.8%	69.8%		74.4%	70.4%	
of which Expense ratio ⁵⁾	28.6%	30.1%		28.8%	29.7%	
Net operating ROE ¹⁰⁾	-12.8%	16.9%		1.2%	12.6%	

In EUR billion	2Q17	1Q17	Change	6M17	6M16	Change
Key figures						
Total insurance provisions	6	4	57.4%	6	4	65.1%
Allocated equity (end of period) ⁶⁾¹⁰⁾	1,029	694	48.2%	1,029	731	40.7%
Employees (internal FTEs, end of period)	2,684	1,458	84.1%	2,684	1,630	64.7%

The operating result of Netherlands Non-life decreased from EUR 19 million in the second quarter of 2016 to EUR -27 million, of which EUR -6 million related to Delta Lloyd. The operating result excluding Delta Lloyd decreased by EUR 40 million mainly due to the strengthening of insurance liabilities in Property & Casualty (P&C).

As of the second quarter of 2017, the calculation methodology of the combined ratio has been changed to exclude the discount rate unwind on the insurance liabilities related to the Disability & Accident (D&A) business. The impact of this new methodology on the Netherlands Non-life combined ratio for the second quarter of 2017 was approximately 2 percentage points and on the D&A combined ratio was approximately 6 percentage points. All comparative combined ratios have been restated accordingly. The combined ratio was 107.4% in the second quarter of 2017 reflecting the strengthening of insurance liabilities in P&C. The combined ratio in the second quarter of 2016 of 99.8% reflected the impact of summer storms of EUR 28 million in P&C partly offset by very favourable results in D&A.

The operating result in D&A decreased from EUR 47 million in the second quarter of 2016 to EUR 29 million, of which Delta Lloyd contributed EUR 6 million. The results for the second quarter last year reflect a very favourable claims development in both the Individual disability and Group income protection portfolios as well as a EUR 4 million IBNR update. The D&A combined ratio was 91.9% compared with 78.9% in the second quarter of 2016.

The operating result in P&C decreased from EUR -30 million in the second quarter of 2016 to EUR -63 million, of which EUR -18 million related to Delta Lloyd. The current quarter reflects a EUR 40 million strengthening of insurance liabilities for bodily-injury claims in the Motor and Miscellaneous portfolios of the NN Non-life company. The current quarter also includes large fire claims of EUR 16 million related to Delta Lloyd. The second quarter last year included the impact of severe storms of EUR 28 million, affecting both the Fire and Motor portfolios. The P&C combined ratio was 115.4% compared with 117.9% in the second quarter of 2016.

Administrative expenses increased from EUR 54 million in the second quarter of 2016 to EUR 94 million, of which EUR 39 million related to Delta Lloyd. Excluding Delta Lloyd the administrative expenses remained stable.

The operating result of the broker business increased from EUR 2 million in the second quarter of 2016 to EUR 8 million, of which the broker results of Delta Lloyd related to health insurance products contributed EUR 6 million.

The result before tax decreased from EUR 19 million in the second quarter of 2016 to EUR -17 million, of which EUR -5 million related to Delta Lloyd. The decrease of the result before tax excluding Delta Lloyd reflects the lower operating result partly compensated by the impact of special items.

The operating result of Netherlands Non-life decreased from EUR 28 million in the first six months of 2016 to EUR 4 million in the first six months of 2017, of which EUR -6 million related to Delta Lloyd. The decrease in the operating result excluding Delta Lloyd is mainly attributable to the impact of the strengthening of insurance liabilities in the Motor and Miscellaneous portfolios, while the first six months of 2016 included the impact of the severe storms. The operating result in the first six months of 2017 also includes EUR 6 million private equity dividends compared with EUR 5 million in the same period in 2016.

The result before tax decreased from EUR 47 million in the first six months of 2016 to EUR 18 million, of which EUR -5 million related to Delta Lloyd. The decrease in the result before tax excluding Delta Lloyd is mainly due to the lower operating result as well as lower gains on debt securities.

The combined ratio for the first six months of 2017 was 103.2% compared with 100.1% in the same period of 2016.

Insurance Europe

- Operating result increased from EUR 52 million in the second quarter of 2016 to EUR 73 million, of which Delta Lloyd contributed EUR 4 million. The operating result excluding Delta Lloyd increased by EUR 17 million reflecting higher fees and premium-based revenues and lower DAC amortisation and trail commissions
- New sales (APE) were up 41.8% from the second quarter of 2016 at constant currencies to EUR 170 million, of which Delta Lloyd contributed EUR 16 million
- Value of new business (VNB) for the first six months of 2017 was EUR 72 million, of which Delta Lloyd contributed EUR 4 million, up from EUR 46 million in the same period last year

In EUR million	2Q17	2Q16	Change	6M17	6M16	Change
Analysis of results						
Investment margin	24	19	27.3%	38	34	13.1%
Fees and premium-based revenues	179	137	30.3%	322	271	18.9%
Technical margin	47	51	-8.1%	93	93	0.7%
Operating income non-modelled business	1	1	-11.6%	2	2	1.1%
Operating income Life Insurance	251	208	20.5%	456	399	14.1%
Administrative expenses	99	79	26.4%	181	157	15.4%
DAC amortisation and trail commissions	78	78	0.5%	159	157	1.1%
Expenses Life Insurance	178	156	13.5%	340	314	8.3%
Operating result Life Insurance	73	52	41.6%	116	86	35.4%
Operating result Non-life	0	0		0	1	-158.5%
Operating result	73	52	41.1%	115	86	34.1%
Non-operating items	30	-6		51	-7	
of which gains/losses and impairments	22	-5		41	-6	
of which revaluations	8	1	867.1%	10	2	491.2%
of which market & other impacts	0	-2		0	-3	
Special items before tax	-8	-6		-8	-22	
Result on divestments	0	0		0	0	
Result before tax	95	40	139.7%	158	57	178.5%
Taxation	15	11	46.3%	25	14	77.9%
Minority interests	0	0		0	0	
Net result	80	29	173.5%	133	43	212.2%
New business						
Single premiums	343	214	60.6%	649	480	35.3%
Regular premiums	135	101	33.3%	280	215	30.3%
New sales life insurance (APE)	170	123	38.0%	345	263	31.2%
Value of new business				72	46	56.5%
Key figures						
Gross premium income	763	586	30.2%	1,372	1,166	17.7%
Total administrative expenses (Life & Non-life)	102	82	25.1%	187	163	14.4%
Cost/income ratio (Administrative expenses/Operating income)	39.8%	35.7%		39.9%	37.1%	
Investment margin/Life general account invested assets (bps) ⁷⁾	49	70				
Net operating ROE ¹⁰⁾²²⁾	13.3%	11.5%		11.9%	9.6%	

In EUR billion	2Q17	1Q17	Change	6M17	6M16	Change
Key figures						
Life general account invested assets	19	10	101.8%	19	10	94.2%
Total provisions for insurance & investment contracts	26	16	63.7%	26	18	41.4%
of which for risk policyholder	7	6	15.8%	7	7	-10.5%
Assets under management pensions ¹²⁾	18	18	4.4%	18	15	25.9%
Allocated equity (end of period) ⁶⁾¹⁰⁾²²⁾	2,464	1,942	26.8%	2,464	1,856	32.7%
Employees (internal FTEs, end of period)	4,629	4,215	9.8%	4,629	4,112	12.6%

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

The operating result of Insurance Europe increased from EUR 52 million in the second quarter of 2016 to EUR 73 million, of which Delta Lloyd Belgium contributed EUR 4 million. The operating result excluding Delta Lloyd increased by EUR 17 million reflecting higher fees and premium-based revenues and lower DAC amortisation and trail commissions. The current quarter result benefited from non-recurring and seasonal items for a total amount of EUR 9 million.

The investment margin increased from EUR 19 million in the second quarter of 2016 to EUR 24 million of which Delta Lloyd contributed EUR 7 million. The investment margin excluding Delta Lloyd decreased slightly by EUR 2 million due to lower invested volumes. The current quarter includes EUR 2 million of seasonal equity dividends in Belgium.

Fees and premium-based revenues increased from EUR 137 million in the second quarter of 2016 to EUR 179 million, of which Delta Lloyd contributed EUR 25 million. The fees and premium-based revenues excluding Delta Lloyd increased by EUR 17 million. The increase reflects higher traditional life premium revenues mainly in Poland and Turkey, as well as higher fees on Assets under Management across the region due to portfolio growth and market value increases. The current quarter includes EUR 4 million of non-recurring benefits, while the second quarter of 2016 included a EUR 3 million benefit, both mainly related to the life business in Romania.

The technical margin decreased from EUR 51 million in the second quarter of 2016 to EUR 47 million, of which EUR -1 million related to Delta Lloyd. The technical margin excluding Delta Lloyd decreased by EUR 3 million, due to lower mortality and surrender results in Greece partly offset by favourable mortality and surrender results in Belgium and the Czech Republic.

Administrative expenses increased from EUR 79 million in the second quarter of 2016 to EUR 99 million, of which EUR 21 million related to Delta Lloyd.

DAC amortisation and trail commissions were flat at EUR 78 million, of which Delta Lloyd contributed EUR 6 million. The DAC amortisation and trail commissions excluding Delta Lloyd decreased by EUR 6 million, reflecting non-recurring benefits of EUR 3 million in the current quarter.

The result before tax increased from EUR 40 million in the second quarter of 2016 to EUR 95 million, of which Delta Lloyd contributed EUR 11 million. The result before tax excluding Delta Lloyd increased by EUR 45 million, due to the higher operating result and higher gains on sales of bonds and equity investments.

New sales (APE) increased from EUR 123 million in the second quarter of 2016 to EUR 170 million, of which Delta Lloyd contributed EUR 16 million. The new sales excluding Delta Lloyd increased by EUR 31 million reflecting higher life sales across the region.

In the first six months of 2017, the operating result of Insurance Europe increased from EUR 86 million in the same period of 2016 to EUR 115 million, of which Delta Lloyd contributed EUR 4 million. The operating result excluding Delta Lloyd increased by EUR 25 million, driven by higher fees and premium-based revenues partly offset by higher administrative expenses.

The result before tax in the first six months of 2017 increased from EUR 57 million in the same period of 2016 to EUR 158 million of which Delta Lloyd contributed by EUR 11 million. The result before tax excluding Delta Lloyd increased by EUR 91 million, reflecting the higher operating result, higher non-operating items and lower special items.

New sales (APE) increased to EUR 345 million in the first six months of 2017 from EUR 263 million in the same period last year. New sales excluding Delta Lloyd increased by EUR 66 million reflecting higher life sales across the region.

The value of new business (VNB) was EUR 72 million in the first six months of 2017 from EUR 46 million in the same period last year. The VNB excluding Delta Lloyd increased by EUR 22 million, driven by higher sales at better margins.

Japan Life

- Operating result was EUR 37 million, up 68.0% from the second quarter of 2016, excluding currency effects, reflecting a higher technical margin, higher fees and premium-based revenues and an improvement in the investment margin, partially offset by increased expenses
- New sales (APE) were EUR 145 million, up 14.1% from the second quarter of 2016, excluding currency effects
- Value of new business (VNB) was EUR 93 million in the first six months of 2017, versus EUR 49 million in the first six months of 2016

In EUR million	2Q17	2Q16	Change	6M17	6M16	Change
Analysis of results						
Investment margin	-2	-7		-4	-12	
Fees and premium-based revenues	135	130	3.4%	328	306	7.2%
Technical margin	1	-9		14	-10	
Operating income non-modelled business	0	0		0	0	
Operating income	134	115	17.4%	339	284	19.1%
Administrative expenses	36	31	13.9%	68	55	22.9%
DAC amortisation and trail commissions	61	60	2.0%	148	139	6.6%
Expenses	97	92	6.1%	216	194	11.2%
Operating result	37	23	62.2%	123	90	36.0%
Non-operating items	-4	-2		-4	-3	
of which gains/losses and impairments	0	1		8	1	
of which revaluations	-4	-3		-12	-4	
of which market & other impacts	0	0		0	0	
Special items before tax	0	-1		0	-2	
Result on divestments	0	0		0	0	
Result before tax	34	20	65.8%	118	85	39.1%
Taxation	10	10	-8.1%	33	18	86.6%
Minority interests	0	0		0	0	
Net result	24	10	144.5%	85	67	26.4%
New business						
Single premiums	0	0		0	6	-100.0%
Regular premiums	145	128	12.6%	387	303	27.9%
New sales life insurance (APE)	145	128	12.6%	387	303	27.6%
Value of new business				93	49	90.4%
Key figures						
Gross premium income	762	701	8.7%	1,876	1,651	13.6%
Total administrative expenses	36	31	13.9%	68	55	22.9%
Cost/income ratio (Administrative expenses/Operating income)	26.6%	27.4%		20.0%	19.4%	
Net operating ROE ⁽¹⁰⁾⁽²⁵⁾	6.6%	4.3%		10.8%	8.6%	

In EUR billion	2Q17	1Q17	Change	6M17	6M16	Change
Key figures						
Life general account invested assets	14	15	-5.6%	14	13	4.7%
Total provisions for insurance & investment contracts	13	13	-4.9%	13	13	0.1%
of which for risk policyholder	0	0		0	0	
Allocated equity (end of period) ⁽⁶⁾⁽¹⁰⁾⁽²⁵⁾	2,162	2,336	-7.5%	2,162	2,822	-23.4%
Employees (internal FTEs, end of period)	792	734	7.9%	792	669	18.4%

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

The operating result of Japan Life was EUR 37 million, up 68.0% from the second quarter of 2016, excluding currency effects, reflecting a higher technical margin, higher fees and premium-based revenues and an improvement in the investment margin, partially offset by increased expenses.

The investment margin improved to EUR -2 million from EUR -7 million in the second quarter of 2016 reflecting an increased volume of invested assets at relatively higher yields.

Fees and premium-based revenues were EUR 135 million, up 4.6% from the second quarter of 2016, excluding currency effects, driven by higher in-force volumes.

The technical margin was EUR 1 million, up from EUR -9 million in the second quarter of 2016 on more favourable mortality and surrender results.

Administrative expenses were EUR 36 million, up 14.6% from the second quarter of 2016, at constant currencies, driven by higher costs to support business growth.

DAC amortisation and trail commissions were EUR 61 million, up 2.9% from the second quarter of 2016, excluding currency effects, due to the higher in-force portfolio.

The result before tax was EUR 34 million, up 72.1% from the second quarter of 2016, at constant currencies, reflecting the higher operating result.

New sales (APE) increased to EUR 145 million from EUR 128 million in the second quarter of 2016, supported by strong sales of a new COLI increasing term product launched in March 2017 and sales through the Sumitomo partnership which started in April 2017.

In the first six months of 2017 the operating result of Japan Life was EUR 123 million, up 32.7% compared with 2016, excluding currency effects. A higher technical margin due to better mortality and surrender results, higher fees and premium-based revenues and an improved investment margin were partly offset by an increase in DAC amortisation and administrative expenses.

The result before tax for the first six months of 2017 was EUR 118 million, up 35.1% at constant currencies, from 2016, driven by the higher operating result.

New sales (APE) were EUR 387 million, up 24.1% from the first six months of 2016 at constant currencies, driven by higher sales of a new COLI increasing term product launched in March 2017 and the COLI critical illness product launched in July 2016.

The value of new business (VNB) for the first six months of 2017 increased to EUR 93 million, up 86.7% from 2016 excluding currency effects, driven by higher sales at better margins.

Asset Management

- Total Assets under Management (AuM) increased from EUR 194 billion at the end of the first quarter of 2017 to EUR 245 billion, of which EUR 51 billion relates to Delta Lloyd Asset Management; net inflows of Third Party assets of EUR 3.1 billion were partly offset by negative market performance
- Operating result increased from EUR 33 million in the second quarter of 2016 to EUR 37 million, reflecting higher fees partly offset by higher expenses

In EUR million	2Q17	2Q16	Change	6M17	6M16	Change
Analysis of results						
Investment income	0	0		0	0	
Fees	135	113	19.4%	253	224	13.0%
Operating income	135	113	19.0%	252	224	12.9%
Administrative expenses	97	80	21.7%	182	162	12.6%
Operating result	37	33	12.6%	70	62	13.7%
Non-operating items	0	0		0	0	
of which gains/losses and impairments	0	0		0	0	
of which revaluations	0	0		0	0	
of which market & other impacts	0	0		0	0	
Special items before tax	-5	-1		-5	-3	
Result on divestments	0	0		0	0	
Result before tax	32	32	2.1%	65	59	9.9%
Taxation	10	7	35.2%	17	15	18.9%
Minority interests	0	0		0	0	
Net result	23	24	-7.5%	48	44	6.9%
Key figures						
Total administrative expenses	97	80	21.7%	182	162	12.6%
Cost/income ratio (Administrative expenses/Operating income)	72.4%	70.8%		72.2%	72.4%	
Fees/average Assets under Management (in bps)	25	23		24	23	
Net operating ROE ¹⁰⁾	25.6%	24.2%		24.7%	22.8%	

In EUR billion	2Q17	1Q17	Change	6M17	6M16	Change
Key figures						
Assets under Management	245	194	26.4%	245	197	24.6%
Allocated equity (end of period) ⁽⁶⁾⁽¹⁰⁾	452	426	6.0%	452	420	7.7%
Employees (internal FTEs, end of period)	1,220	1,086	12.4%	1,220	1,144	6.7%
In EUR billion						
AuM roll-forward						
Beginning of period	194	195	-0.4%			
Net inflow	2	-1				
Acquisition / Divestments	52	0				
Market performance (incl. FX impact) and Other	-3	0				
End of period	245	194	26.4%			

Total Assets under Management (AuM) at Asset Management increased from EUR 194 billion at the end of the first quarter of 2017 to EUR 245 billion at the end of the second quarter of 2017, of which EUR 51 billion relates to the AuM of Delta Lloyd Asset Management. The increase excluding Delta Lloyd was driven by net inflows of Third Party assets of EUR 3.1 billion mainly within the Institutional segment, partly offset by negative market performance of EUR 2.6 billion, primarily as a result of the increase in interest rates.

The operating result increased from EUR 33 million in the second quarter of 2016 to EUR 37 million, driven by higher fees partly offset by higher expenses. The contribution of Delta Lloyd was EUR 0 million as fees were offset by expenses.

Fees were EUR 135 million, up from EUR 113 million in the second quarter of 2016, reflecting the additional fees generated by Delta Lloyd Asset Management of EUR 13 million, as well as higher average AuM and higher margin AuM.

Administrative expenses were EUR 97 million, up from EUR 80 million in the second quarter of 2016. The increase mainly reflects the inclusion of Delta Lloyd Asset Management expenses of EUR 13 million, as well as higher staff-related expenses.

The result before tax remained stable at EUR 32 million compared with the second quarter of 2016 as the higher operating result was offset by higher special items reflecting restructuring expenses regarding the integration of NN Investment Partners and Delta Lloyd Asset Management.

In the first six months of 2017, the operating result was EUR 70 million, up 13.7% from the same period in 2016. Higher fee income as a result of the inclusion of Delta Lloyd Asset Management, higher average AuM and higher margin AuM was partly offset by an increase in administrative expenses due to the inclusion of Delta Lloyd Asset Management and higher staff-related expenses. The result before tax in the first six months of 2017 was EUR 65 million, up 9.9% compared with the same period in 2016, as the higher operating result was partly offset by higher special items.

Other

- Operating result decreased from EUR 2 million in the second quarter of 2016 to EUR -7 million, of which EUR -5 million related to Delta Lloyd. The operating result excluding Delta Lloyd decreased to EUR -2 million, mainly due to higher holding expenses partly compensated by a higher result of NN Bank
- The operating result of the banking business increased from EUR 17 million in the second quarter of 2016 to EUR 34 million, of which Delta Lloyd contributed EUR 9 million. The operating result excluding Delta Lloyd increased by EUR 8 million, reflecting a higher interest margin and a lower addition to the loan loss provision
- Result before tax decreased from EUR -3 million in the second quarter of 2016 to EUR -237 million, mainly due to a provision related to ING Australia Holdings

In EUR million	2Q17	2Q16	Change	6M17	6M16	Change
Analysis of results						
Interest on hybrids and debt ²⁶⁾	-34	-26		-64	-51	
Investment income and fees	23	14	63.5%	34	28	24.5%
Holding expenses	-38	-11		-54	-25	
Amortisation of intangible assets	0	-2		-1	-3	
Holding result	-50	-24		-85	-52	
Operating result reinsurance business	8	9	-7.7%	14	12	13.8%
Operating result banking business	34	17	105.3%	58	30	94.3%
Other results	0	1	-53.3%	2	1	88.9%
Operating result	-7	2		-12	-9	
Non-operating items	32	0		33	-3	
of which gains/losses and impairments	32	1		33	2	
of which revaluations	0	-2		0	-6	
of which market & other impacts	0	0		0	0	
Special items before tax	-41	-5		-49	-5	
Amortisation of acquisition intangibles	-33	0		-33	0	
Result on divestments	-188	0		-179	0	
Result before tax	-237	-3		-240	-17	
Taxation	-11	-2		-16	-1	
Minority interests	0	0		0	0	
Net result	-226	-1		-225	-16	
Key figures						
Total administrative expenses	99	56	75.9%	162	115	41.6%
of which reinsurance business	3	4	-12.5%	7	7	-5.2%
of which banking business	56	42	35.2%	99	82	20.5%
of which corporate/holding	39	11	265.2%	56	25	124.3%
Net operating ROE banking business ¹⁴⁾	17.2%	10.8%		18.1%	9.8%	

In EUR billion	2Q17	1Q17	Change	6M17	6M16	Change
Key figures						
NN Bank common equity Tier 1 ratio phased in ¹³⁾	14.0%	13.2%		14.0%	13.9%	
Delta Lloyd Bank common equity Tier 1 ratio phased in ¹³⁾	16.8%			16.8%		
Total assets banking business	21	15	34.1%	21	13	54.1%
Total provisions for insurance and investment contracts	0	0		0	0	
Employees (internal FTEs, end of period)	2,958	1,740	70.0%	2,958	1,750	69.0%

The operating result of the segment Other decreased from EUR 2 million in the second quarter of 2016 to EUR -7 million, of which EUR -5 million related to Delta Lloyd. The operating result excluding Delta Lloyd decreased by EUR 4 million, mainly due to higher holding expenses partly compensated by a higher result of NN Bank.

The holding result decreased from EUR -24 million in the second quarter of 2016 to EUR -50 million, of which EUR -14 million related to Delta Lloyd. The decrease of the holding result excluding Delta Lloyd reflects a EUR 10 million increase in holding expenses largely due to a revised method for charging head office expenses to the segments.

The operating result of the reinsurance business was broadly stable at EUR 8 million.

The operating result of the banking business increased from EUR 17 million in the second quarter of 2016 to EUR 34 million, of which Delta Lloyd contributed EUR 9 million. The operating result excluding Delta Lloyd increased by EUR 8 million, reflecting a higher interest margin and a lower addition to the loan loss provision.

The result before tax of the segment Other decreased from EUR -3 million in the second quarter of 2016 to EUR -237 million, of which EUR -3 million related to Delta Lloyd. The result before tax excluding Delta Lloyd decreased by EUR 231 million, mainly due to a provision related to ING Australia Holdings reflected in the line result on divestments. The decrease also reflects EUR 41 million of special items reflecting EUR 26 million of expenses related to the acquisition and integration of Delta Lloyd and EUR 14 million of restructuring expenses, as well as EUR 33 million amortisation of the acquisition intangibles. These items were partly compensated by the EUR 20 million gain on Delta Lloyd shares already held by NN Group on the date the offer was declared unconditional on 7 April 2017 and a EUR 9 million gain on the sale of the equity portfolio for rebalancing the assets of NN Re.

In the first six months of 2017, the operating result of the segment Other decreased from EUR -9 million in the same period of 2016 to EUR -12 million, of which EUR -5 million related to Delta Lloyd. The operating result excluding Delta Lloyd improved by EUR 2 million, mainly reflecting a higher operating result of NN Bank offset by higher holding expenses and higher interest on hybrids and debt.

The operating result of the banking business improved from EUR 30 million in the first six months of 2016 to EUR 58 million, of which Delta Lloyd contributed EUR 9 million. The operating result excluding Delta Lloyd increased by EUR 19 million, mainly driven by a higher interest result due to the continued expansion of NN Bank's mortgage and customer savings activities, as well as lower additions to the loan loss provision.

The result before tax of the segment Other decreased from EUR -17 million in the first six months of 2016 to EUR -240 million, of which EUR -3 million related to Delta Lloyd. The result before tax excluding Delta Lloyd decreased by EUR 219 million due to a provision related to ING Australia Holdings, higher special items reflecting expenses related to the acquisition and integration of Delta Lloyd and restructuring expenses, as well as amortisation of acquisition intangibles. These items were partly compensated by the aforementioned realised gain on Delta Lloyd shares and the rebalancing transaction, as well as the gain on the sale of Mandema & Partners completed in January 2017.

Japan Closed Block VA

- Result before tax was EUR 12 million compared with EUR -28 million in the second quarter of 2016, which was impacted by higher market volatility
- Portfolio run-off resulted in a 15.9% decrease in the number of policies compared with the first quarter of 2017

In EUR million	2Q17	2Q16	Change	6M17	6M16	Change
Analysis of results						
Investment margin	-1	-1		-1	-1	
Fees and premium-based revenues	11	15	-22.9%	23	29	-20.5%
Technical margin	0	0		0	0	
Operating income non-modelled business	0	0		0	0	
Operating income	11	14	-23.5%	22	28	-21.0%
Administrative expenses	3	4	-24.5%	6	8	-23.1%
DAC amortisation and trail commissions	1	2	-24.8%	3	4	-24.1%
Expenses	4	6	-24.6%	9	12	-23.4%
Operating result	6	8	-22.8%	13	16	-19.3%
Non-operating items	5	-36		-22	-113	
of which gains/losses and impairments	0	0		0	0	
of which revaluations	0	0		0	0	
of which market & other impacts ²³⁾	5	-36		-22	-113	
Special items before tax	0	0		0	0	
Result on divestments	0	0		0	0	
Result before tax	12	-28		-8	-97	
Taxation	3	-7		-2	-23	
Minority interests	0	0		0	0	
Net result	9	-21		-7	-74	

In EUR million	2Q17	1Q17	Change	6M17	6M16	Change
Key figures						
Allocated equity ¹⁰⁾	452	519	-12.8%	452	712	-36.5%
Account value	6,546	7,926	-17.4%	6,546	9,064	-27.8%
Net Amount at Risk	180	434		180	1,021	
IFRS Reserves	401	677	-40.7%	401	1,335	-69.9%
Number of policies	122,394	145,457	-15.9%	122,394	173,806	-29.6%
Employees (internal FTEs)	53	49	8.2%	53	60	-11.7%

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

The result before tax of Japan Closed Block VA was EUR 12 million compared with EUR -28 million in the second quarter of 2016, which included negative hedge-related results due to higher market volatility.

The operating result decreased to EUR 6 million from EUR 8 million in the second quarter of 2016, as fees and premium-based revenues declined due to the run-off of the portfolio.

Fees and premium-based revenues were EUR 11 million, down 22.6% from the second quarter of 2016 excluding currency effects, mainly due to a lower account value reflecting a decreasing number of policies.

Administrative expenses decreased to EUR 3 million.

Market and other impacts were EUR 5 million compared with EUR -36 million in the second quarter of 2016. The current quarter includes a hedge-related profit of EUR 5 million, whereas the second quarter of 2016 reflected a hedge-related loss of EUR 36 million due to the impact of higher market volatility.

The Net Amount at Risk in the Japan Closed Block VA decreased to EUR 180 million from EUR 1,021 million in the second quarter of 2016 and from EUR 434 million in the first quarter of 2017, as a result of equity markets appreciation and the run-off of the portfolio.

In the first six months of 2017 the result before tax was EUR -8 million compared with EUR -97 million in the same period a year ago. The first six months of 2017 included a hedge-related loss of EUR 21 million whereas the same period last year included a EUR 102 million hedge-related loss due to higher market volatility, as well as a EUR 16 million technical provision increase following a refinement of lapse assumptions.

In the first six months of 2017 the operating result before tax was EUR 13 million compared with EUR 16 million in the same period a year ago, down 21.7% excluding currency impacts, mainly due to lower fees and premium-based revenues driven by the run-off of the portfolio.

Consolidated Balance Sheet

- Total assets of NN Group increased by EUR 64.5 billion compared with the first quarter of 2017 to EUR 231.9 billion, of which EUR 69.2 billion recognised on the acquisition of Delta Lloyd. This was offset by the cash payment for the Delta Lloyd acquisition, the run-off of Japan Closed Block VA and currency impacts
- Shareholders' equity decreased by EUR 0.3 billion to EUR 21.8 billion mainly reflecting lower revaluation reserves due to higher interest rates partly offset by the second quarter net result

in EUR million	30 Jun 17	31 Mar 17	31 Dec 16 ⁽²⁾		30 Jun 17	31 Mar 17	31 Dec 16 ⁽²⁾
Assets				Equity and liabilities			
Cash and cash equivalents	10,022	10,827	8,634	Shareholders' equity (parent)	21,824	22,108	22,695
Financial assets at fair value through profit or loss				Minority interests	313	12	12
- investments for risk of policyholders	34,506	26,282	30,711	Undated subordinated notes	1,764	986	986
- non-trading derivatives	5,297	3,817	4,421	Total equity	23,901	23,106	23,693
- designated as at fair value through profit or loss	815	618	873	Subordinated loans	2,478	2,301	2,288
Available-for-sale investments				Debt securities issued	2,577	1,093	598
- debt securities	99,368	71,186	72,779	Other borrowed funds	7,371	6,028	7,646
- equity securities	8,493	7,451	6,988	Insurance and investment contracts			
Loans	54,627	34,007	33,920	- life insurance provisions	120,296	82,754	80,704
Reinsurance contracts	1,053	262	231	- non-life insurance provisions	6,008	3,882	3,536
Associates and joint ventures	3,113	3,001	2,698	- provision for risk of policyholders	35,214	26,336	30,772
Real estate investments	3,428	2,137	2,028	- other	5,053	656	696
Property and equipment	155	88	86	Customer deposits and other funds on deposit	14,572	10,603	10,224
Intangible assets	1,899	338	342	Financial liabilities at fair value through profit or loss			
Deferred acquisition costs	1,682	1,715	1,631	- non-trading derivatives	2,764	1,602	2,008
Assets held for sale	2,422	2,491	6	Liabilities held for sale	2,408	2,473	2
Other assets	4,994	3,191	3,152	Other liabilities	9,232	6,577	6,333
Total assets	231,874	167,411	168,500	Total liabilities	207,973	144,305	144,807
				Total equity and liabilities	231,874	167,411	168,500

Assets

Cash and cash equivalents

Cash and cash equivalents decreased by EUR 0.8 billion in the second quarter to EUR 10.0 billion, mainly reflecting EUR 3.0 billion recognised on the acquisition of Delta Lloyd offset by the cash payment of EUR 2.1 billion for the acquisition of Delta Lloyd.

Investments for risk of policyholders

Investments for policyholders increased by EUR 8.2 billion in the second quarter to EUR 34.5 billion of which EUR 10 billion recognised on the acquisition of Delta Lloyd, partly offset by the run-off of Japan Closed Block VA.

Debt securities

Debt securities increased by EUR 28.2 billion to EUR 99.4 billion, of which EUR 29.1 billion recognised on the acquisition of Delta Lloyd, partly offset by EUR 1.0 billion currency impacts.

Loans

Loans increased by EUR 20.6 billion to EUR 54.6 billion, of which EUR 19.9 billion recognised on the acquisition of Delta Lloyd as well as a EUR 0.6 billion increase of the Mortgages portfolio.

Intangible assets

As a result of the acquisition of Delta Lloyd, EUR 447 million of intangible assets were recognised on the opening balance sheet (mainly brand names, distribution agreements and client relationships). These intangibles will be amortised in the profit and loss account over their useful lives. Additionally, EUR 1.1 billion of goodwill, being the difference between the purchase price of EUR 2.5 billion and the equity of Delta Lloyd on the opening balance sheet of EUR 1.3 billion, was recognised on the balance sheet which will be tested for impairment at least annually going forward.

Liabilities

Debt securities issued

Debt securities issued increased EUR 1.5 billion reflecting EUR 0.6 billion recognised on the acquisition of Delta Lloyd and EUR 900 million of senior notes issued in May 2017.

Life Insurance provisions

Life Insurance provisions increased by EUR 37.5 billion to EUR 120.3 billion of which EUR 39.6 billion recognised on the acquisition of Delta Lloyd, partly offset by currency impacts.

Provision for risk of policyholders

Provision for risk of policyholders increased by EUR 8.9 billion to EUR 35.2 billion, of which EUR 9.6 billion recognised on the acquisition of Delta Lloyd, partly offset by the run-off of Japan Closed Block VA.

Customer deposits

Customer deposits increased by EUR 4.0 billion of which EUR 3.8 billion recognised on the acquisition of Delta Lloyd.

Equity

Shareholders' equity decreased by EUR 0.3 billion to EUR 21.8 billion. The decrease in equity reflects EUR 0.7 billion decrease in the cash flow hedge and available-for-sale-debt securities revaluation reserves due to higher interest rates, currency impacts, as well as the payment of the 2016 final dividend. These items were offset by the issue of new NN Group shares for a total amount of EUR 0.4 billion related to the acquisition of Delta Lloyd as well as the EUR 0.2 billion second-quarter net result.

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

in EUR million	2Q17	6M17	FY16 ⁽²⁾
Shareholders' equity beginning of period	22,108	22,695	20,458
Net result for the period	240	676	1,189
Unrealised revaluations available-for-sale investments and other	48	-1,025	2,423
Realised gains/losses transferred to the profit and loss account	-127	-236	-230
Change in cash flow hedge reserve	-611	-943	406
Deferred interest crediting to life policyholders	177	690	-689
Share of other comprehensive income of associates and joint ventures	1	1	3
Exchange rate differences	-129	-69	-7
Remeasurement of the net defined benefit asset/liability	13	11	-13
Capital contributions and change in share capital	420	420	0
Dividend	-187	-187	-298
Purchase/sale treasury shares	-69	-145	-503
Employee stock option & share plans	-1	-5	-10
Coupon on undated subordinated notes	-59	-59	-34
Total changes	-284	-871	2,237
Shareholders' equity end of period	21,824	21,824	22,695

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

in EUR million	30 Jun 17	31 Mar 17	31 Dec 16 ⁽²²⁾
Share capital	42	40	40
Share premium	12,571	12,153	12,153
Revaluation reserve available-for-sale investments and other	5,186	5,118	5,792
Cash flow hedge reserve	3,492	4,103	4,435
Currency translation reserve	-48	71	10
Net defined benefit asset/liability remeasurement reserve	-92	-105	-103
Retained earnings and other reserves	673	728	368
Shareholders' equity (parent)	21,824	22,108	22,695
Minority interests	313	12	12
Undated subordinated notes	1,764	986	986
Total equity	23,901	23,106	23,693
Shareholders' equity per share in EUR	65	69	70

Capital Management

- Solvency II ratio of NN Group was 196% reflecting the acquisition of Delta Lloyd, positive market impacts and operating return, the net negative impact from model and assumption changes as well as the deduction of the 2017 interim dividend
- Free cash flow to the holding in the second quarter of 2017 was EUR 34 million mainly reflecting EUR 820 million dividends from subsidiaries, a EUR 500 million capital injection into Delta Lloyd Life and a EUR 188 million provision related to ING Australia Holdings
- Cash capital position at the holding company decreased to EUR 1,731 million
- Interim dividend 2017 of EUR 0.62 per ordinary share or approximately EUR 209 million

Solvency II

in EUR million	30 Jun 17	31 Mar 17
Basic Own Funds	17,089	14,797
Non-available Own Funds	1,422	1,311
Non-eligible Own Funds	376	224
Eligible Own Funds (a)	15,291	13,263
of which Tier 1 Unrestricted	8,807	8,220
of which Tier 1 Restricted	1,891	1,095
of which Tier 2	2,399	1,891
of which Tier 3	1,097	747
of which non-solvency II regulated entities	1,098	1,309
Solvency Capital Requirements (b)	7,818	5,566
of which non-solvency II regulated entities	508	505
NN Group Solvency II ratio (a/b)²⁾	196%	238%
NN Life Solvency II ratio²⁾	220%	197%
Delta Lloyd Life Solvency II ratio²⁾	139%	

The NN Group Solvency II ratio decreased to 196% at the end of the second quarter of 2017 from 238% at the end of the first quarter of 2017 mainly due to the acquisition of Delta Lloyd. The decrease was partly offset by tightening of credit spreads on French government bonds, a positive contribution of equity and real estate investments, as well as operating return. The Solvency II ratio also reflects the net negative impact from model and assumption changes as well as the deduction of the 2017 interim dividend.

The NN Life Solvency II ratio increased to 220% at the end of the second quarter of 2017 from 197% at the end of the first quarter of 2017, mainly due to the aforementioned tightening of credit spreads on French government bonds, a positive contribution of equity and real estate investments, model and assumption changes, as well as operating return. These items were partly offset by a EUR 450 million dividend paid to the holding company.

The Delta Lloyd Life Solvency II ratio was 139% at the end of the second quarter of 2017 reflecting a EUR 500 million capital injection and the impact of alignment with NN Group model and assumptions.

Cash capital position at the holding company

in EUR million	2Q17	6M17
Beginning of period	2,977	2,489
Cash divestment proceeds	0	26
Dividends from subsidiaries ¹⁵⁾	820	1,115
Capital injections into subsidiaries ¹⁶⁾	-531	-552
Other ¹⁷⁾	-254	-312
Free cash flow to the holding¹⁸⁾	34	277
Acquisitions	-2,054	-2,234
Addition Delta Lloyd cash capital position	413	413
Capital flow from / (to) shareholders	-256	-339
Increase / (decrease) in debt and loans	616	1,124
End of period	1,731	1,731

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

The cash capital position at the holding company decreased to EUR 1,731 million at the end of the second quarter of 2017 from EUR 2,977 million at the end of the first quarter of 2017. The decrease reflects the cash payment of EUR 2.1 billion for the acquisition of Delta Lloyd, capital flows to shareholders of EUR 256 million representing the cash part of the 2016 final dividend of EUR 187 million and shares repurchased in the second quarter of 2017 for an amount of EUR 69 million. These items were partly offset by the EUR 616 million net increase of debt and loans reflecting the issue of new senior notes of EUR 900 million, the EUR 200 million repayment of operational leverage by NN Bank to the holding company, partly offset by the repayment of the EUR 476 million non-qualifying subordinated notes. The cash capital position at the holding also reflects the inclusion of the cash capital of the holding company at Delta Lloyd of EUR 413 million, as well as free cash flow to the holding of EUR 34 million mainly reflecting EUR 820 million of dividends from all segments, a EUR 500 million capital injection into Delta Lloyd Life and a EUR 188 million provision related to ING Australia Holdings. Other movements include holding company expenses, interest on loans and debt, and other holding company cash flows.

Financial leverage

in EUR million	30 Jun 17	31 Mar 17	30 Jun 16
Shareholders' equity ²²⁾	21,824	22,108	25,243
Adjustment for revaluation reserves ¹⁹⁾	-6,807	-7,566	-11,715
Minority interests	313	12	10
Capital base for financial leverage (a)²⁴⁾	15,330	14,554	13,538
Undated subordinated notes ²⁰⁾	1,764	986	986
Subordinated debt	2,478	2,301	2,289
Total subordinated debt	4,242	3,286	3,275
Debt securities issued (financial leverage)	2,577	894	398
Financial leverage (b)	6,819	4,180	3,673
Debt securities issued (operational leverage)	0	199	199
Total debt	6,819	4,379	3,872
Financial leverage ratio (b/(a+b))	30.8%	22.3%	21.3%
Fixed-cost coverage ratio ²⁰⁾²¹⁾	12.0x	13.4x	12.1x

The calculation methodology for the financial leverage ratio has been updated to better align with market practice. Goodwill is no longer deducted from the capital base for financial leverage and historical figures have been updated to reflect this change. The financial leverage ratio of NN Group increased to 30.8% at the end of the second quarter of 2017 compared with 22.3% at the end of the first quarter of 2017. The amount of financial leverage increased due to the addition of EUR 750 million subordinated notes and EUR 575 million senior debt issued by Delta Lloyd N.V., and EUR 500 million subordinated notes issued by Delta Lloyd Life. In addition, NN Group issued two senior unsecured notes for a total amount of EUR 900 million, consisting of EUR 300 million senior notes with a fixed coupon at 0.25% per annum and a maturity of 3 years and EUR 600 million senior notes

with a fixed coupon at 1.625% per annum and a maturity of 10 years. The increase of financial leverage also reflects the repayment of EUR 200 million operational leverage by NN Bank to the holding company. These items were offset by the repayment of the EUR 476 million non-qualifying subordinated notes in May. The capital base for financial leverage increased by EUR 776 million mainly due to the issue of new NN Group shares for a total amount of EUR 420 million related to the acquisition of Delta Lloyd, an increase in minority interests of EUR 301 million and the second-quarter net result of EUR 240 million.

The fixed-cost coverage ratio decreased to 12.0x at the end of the second quarter of 2017 from 13.4x at the end of the first quarter of 2017 (on a last 12-months basis).

Delta Lloyd N.V. ceased to exist as a result of a legal merger of Delta Lloyd N.V. into NN Group Bidco B.V., which became effective on 1 June 2017, and whereby remaining holders of issued and outstanding ordinary shares in the capital of Delta Lloyd N.V. received listed ordinary shares in the capital of NN Group. Following the legal merger and as part of the integration of NN and Delta Lloyd in the Netherlands and Belgium, NN Group has also started a legal restructuring process. As part of this process, Delta Lloyd legal entities will be transferred from NN Group Bidco B.V. to the relevant legal entities in the NN Group corporate structure and any potential consequences of such transfers for bondholders will be taken into consideration.

Interim dividend

NN Group will pay a 2017 interim dividend of EUR 0.62 per ordinary share, or approximately EUR 209 million in total, calculated as 40% of the 2016 full year dividend per ordinary share. The 2017 interim dividend will be paid either in cash, after deduction of withholding tax if applicable, or ordinary shares from the share premium reserve at the election of the shareholder. To neutralise the dilutive effect of the stock dividend, NN Group will repurchase ordinary shares for an amount equivalent to the stock dividend. The NN Group ordinary shares will be quoted ex-dividend on 21 August 2017. The record date for the dividend will be 22 August 2017. The election period will run from 21 August up to and including 4 September 2017. The stock fraction for the stock dividend will be based on the volume weighted average price of NN Group ordinary shares on Euronext Amsterdam for the five trading days from 29 August through 4 September 2017. The dividend will be payable on 11 September 2017. (For more information: www.nn-group.com/Investors/Dividends.htm).

Share buyback

As announced by NN Group on 16 February 2017, its shareholders were given the option to receive the final dividend for 2016 of EUR 0.95 per ordinary share either fully in cash or fully in ordinary shares. Following the election by shareholders, NN Group will neutralise the dilutive effect of the stock dividend through the repurchase of ordinary shares for a total amount of EUR 129 million, equivalent to the value of the stock dividend. The remaining outstanding amount on 11 August 2017 was EUR 98 million. These share buybacks will be executed under the open market share buyback programme by financial intermediaries by 31 December 2017. In the second quarter of 2017, shares for an amount of EUR 12 million were repurchased.

The share buyback programme is being executed within the limitations of the existing authority granted by the General Meeting on 1 June 2017 and is being performed in compliance with the safe harbour provisions for share buybacks. The shares will be repurchased at a price that does not exceed the last independent trade or the highest current independent bid on Euronext Amsterdam. NN Group intends to cancel all of the shares acquired under the programme. NN Group reports on the progress of the share buyback programme on its corporate website on a weekly basis (www.nn-group.com/Investors/Share-buyback-programme.htm).

The share buyback programme to neutralise the dilutive effect of the stock part of the 2015 final dividend and 2016 interim dividend was completed on 31 May 2017. Shares for an amount of EUR 58 million were repurchased in the second quarter of 2017.

Share capital

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



On 1 June 2017, NN Group issued 5,069,969 of ordinary shares, representing an aggregate value of EUR 165 million as part of the legal merger of Delta Lloyd into NN Group Bidco B.V., a direct wholly-owned subsidiary of NN Group, whereby remaining holders of issued and outstanding ordinary shares in the capital of Delta Lloyd received listed ordinary shares in the capital of NN Group.

On 26 June 2017, NN Group issued 4,082,061 ordinary shares as stock dividend, representing an aggregate value of EUR 129 million.

On 2 August 2017, 14,348,967 NN Group treasury shares were cancelled, which were repurchased under the share buy-back programme.

The total number of NN Group shares outstanding (net of 1,661,619 treasury shares) on 15 August 2017 was 336,742,052.

Credit ratings

Credit ratings of NN Group N.V. on 17 August 2017	Financial Strength Rating	NN Group N.V. Counterparty Credit Rating
Standard & Poor's	A	BBB+
	Stable	Stable
Fitch	A+	A
	Stable	Stable

Footnotes reference page

- 1) Operating result and Adjusted allocated equity (as used in the calculation of Net operating ROE) are Alternative Performance Measures. These measures are derived from figures according to IFRS-EU. The operating result is derived by adjusting the reported result before tax to exclude the impact of result on divestments, the amortisation of acquisition intangibles, discontinued operations and special items, gains/losses and impairments, revaluations and market & other impacts. The adjusted allocated equity is derived by adjusting the reported total equity to exclude revaluation reserves, the undated subordinated notes classified as equity as well as the goodwill and intangible assets recognized as a result of the Delta Lloyd acquisition. Alternative Performance Measures are non-IFRS-EU measures that have a relevant IFRS-EU equivalent. For definitions and explanations of the Alternative Performance Measures reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the 2016 Consolidated Annual Accounts.
- 2) The solvency ratios are not final until filed with the regulators. The Solvency II ratios for NN Group and NN Life are based on the partial internal model. The Solvency II ratio for Delta Lloyd Life (Delta Lloyd Levensverzekering N.V.) is based on the standard formula.
- 3) Basic earnings per ordinary share is calculated as the net result, adjusted to reflect the deduction of the accrued coupon on undated subordinated notes classified in equity, divided by the weighted average number of ordinary shares outstanding (net of treasury shares).
- 4) As of 2Q17, the calculation methodology for the combined ratio has been updated and now excludes the discount rate unwind on the D&A insurance liabilities. All comparative combined ratios have been updated to reflect this change.
- 5) Excluding health and broker businesses.
- 6) End of period, in EUR million.
- 7) Four-quarter rolling average. The 2Q17 calculation reflects the impact of including Delta Lloyd on an annualised basis.
- 8) Net operating result of the ongoing business, adjusted to reflect the deduction of the accrued coupon on undated subordinated notes classified in equity.
- 9) Net operating ROE is calculated as the (annualised) net operating result of the ongoing business, adjusted to reflect the deduction of the accrued coupon on undated subordinated notes classified in equity, divided by (average) adjusted allocated equity of ongoing business. Adjusted allocated equity is an Alternative Performance Measure. It is derived from IFRS equity by excluding revaluation reserves, the undated subordinated notes classified as equity as well as the goodwill and intangible assets recognized as a result of the Delta Lloyd acquisition. Reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the 2016 Consolidated Annual Accounts.
- 10) Net operating ROE is calculated as the (annualised) net operating result of the segment, divided by (average) adjusted allocated equity. Adjusted allocated equity is an Alternative Performance Measure. It is derived from IFRS equity by excluding revaluation reserves. Reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the 2016 Consolidated Annual Accounts.
- 11) Including health and broker businesses.
- 12) The numbers shown under AuM are client balances which exclude IFRS shareholders' equity related to the respective pension businesses and include the assets under administration.
- 13) The 'Common equity Tier 1 ratio phased in' is not final until filed with the regulators.
- 14) Net operating ROE is calculated as the (annualised) net operating result of the banking business, divided by (average) adjusted allocated equity. Adjusted allocated equity is an Alternative Performance Measure. It is derived from IFRS equity by excluding revaluation reserves. Reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the 2016 Consolidated Annual Accounts.
- 15) Includes interest on subordinated loans provided to subsidiaries by the holding company.
- 16) Includes the change of subordinated loans provided to subsidiaries by the holding company.
- 17) Includes interest on subordinated loans and debt, holding company expenses and other cash flows.
- 18) Free cash flow to the holding company is defined as the change in cash capital position of the holding company over the period, excluding acquisitions, capital transactions with shareholders and debtholders and the inclusion of the Delta Lloyd cash capital position.
- 19) Includes revaluations on debt securities, on the cash flow hedge reserve and on the reserves crediting to life policyholders.
- 20) The undated subordinated notes classified as equity are considered financial leverage in the calculation of the financial leverage ratio. The related interest is included on an accrual basis in the calculation of the fixed-cost coverage ratio.
- 21) Measures the ability of earnings before interest and tax (EBIT) of ongoing business to cover funding costs on financial leverage; calculated on a last 12-months basis.
- 22) As of 1 January 2017, NN Group changed its accounting policy for the Reserve Adequacy Test. The change represents a change in accounting policy under IFRS and is implemented retrospectively. The impact on previous periods is limited to the consolidated balance sheet and equity. For more details refer to the 31 March 2017 Condensed consolidated interim accounts.
- 23) The hedge-related loss for 2Q16 has been updated from EUR 38 million to EUR 36 million and the hedge-related loss for 2016 has been updated from EUR 103 million to EUR 102 million to align with the 2016 Consolidated Annual Account.
- 24) As of 2Q17, the calculation methodology for the financial leverage ratio has been updated to better align with market practice. Goodwill is no longer deducted from the capital base for financial leverage and historical figures have been updated to reflect this change.
- 25) As of 2Q17, the net operating result and adjusted allocated equity used to calculate the Net operating ROE of Japan Life are adjusted for the impact of internal reinsurance ceded to NN Group's reinsurance business.
- 26) Does not include interest costs on subordinated debt treated as equity

NN Group Profile

NN Group is an international insurance and asset management company, active in 18 countries, with a strong presence in a number of European countries and Japan. With all our employees the Group offers retirement services, pensions, insurance, investments and banking to approximately 17 million customers. NN Group's main brands are Nationale-Nederlanden, NN, Delta Lloyd, NN Investment Partners, ABN AMRO Insurance, Movir, AZL, BeFrank and OHRA. NN Group is listed on Euronext Amsterdam (NN).

Investor conference call and webcast

Lard Friese and Delfin Rueda will host an analyst and investor conference call to discuss the 2Q17 results at 10.00 am CET on Thursday 17 August 2017. Members of the investment community can join the conference call at +31 20 531 5865 (NL), +44 203 365 3210 (UK), +1 866 349 6093 (US) or follow the webcast on www.nn-group.com.

Press call

Lard Friese and Delfin Rueda will host a press call to discuss the 2Q17 results, which will be held at 12.00 pm CET on Thursday 17 August 2017. Journalists can join the press call at +31 (0)20 531 5863.

Financial calendar

- Publication 3Q17 results: 16 November 2017
- Capital Markets Day: 30 November 2017
- Publication 4Q17 results: 15 February 2018
- Publication 1Q18 results: 17 May 2018

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Additional information on www.nn-group.com

- NN Group 2Q17 Financial Supplement, NN Group 2Q17 Analyst Presentation
- NN Group 30 June 2017 Condensed consolidated interim financial information
- Photos of NN Group executives, buildings and events are available for download at [Flickr](#)

Important legal information

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

In preparing the financial information in this document, the same accounting principles are applied as in the NN Group N.V. condensed consolidated interim financial information for the period ended 30 June 2017.

All figures in this document are unaudited. Small differences are possible in the tables due to rounding. Certain of the statements contained herein are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation: (1) changes in general economic conditions, in particular economic conditions in NN Group's core markets, (2) changes in performance of financial markets, including developing markets, (3) consequences of a potential (partial) break-up of the euro or European Union countries leaving the European Union, (4) changes in the availability of, and costs associated with, sources of liquidity as well as conditions in the credit markets generally, (5) the frequency and severity of insured loss events, (6) changes affecting mortality and morbidity levels and trends, (7) changes affecting persistency levels, (8) changes affecting interest rate levels, (9) changes affecting currency exchange rates, (10) changes in investor, customer and policyholder behaviour, (11) changes in general competitive factors, (12) changes in laws and regulations and the interpretation and application thereof, (13) changes in the policies and actions of governments and/or regulatory authorities, (14) conclusions with regard to accounting assumptions and methodologies, (15) changes in ownership that could affect the future availability to NN Group of net operating loss, net capital and built-in loss carry forwards, (16) changes in credit and financial strength ratings, (17) NN Group's ability to achieve projected operational synergies, (18) catastrophes and terrorist-related events, (19) adverse developments in legal and other proceedings and (20) the other risks and uncertainties contained in recent public disclosures made by NN Group.

Any forward-looking statements made by or on behalf of NN Group speak only as of the date they are made, and, NN Group assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason.

This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities.