

NN Group reports 2Q16 results

Capital position remains strong; lower operating result

- Operating result ongoing business of EUR 321 million versus EUR 488 million in 2Q15; the current quarter was impacted by higher claims at Netherlands Non-life due to severe storms, while the second quarter of last year was supported by a private equity dividend and a significantly higher technical margin in Netherlands Life
- Net result of EUR 335 million versus EUR 392 million in 2Q15 reflecting a lower operating result and negative hedge results in Japan Closed Block VA due to market volatility, partly offset by higher non-operating items
- Progress on cost savings in the Netherlands, bringing the annual expense base down to EUR 786 million
- Solvency II ratio increased to 252% from 241% at 1Q16 as positive market impacts were only partly offset by deductions for the EUR 500 million share buyback programme and the 2016 interim dividend
- Holding company cash capital increased to EUR 2.3 billion driven by dividends from almost all segments
- Interim dividend 2016 of EUR 0.60 per ordinary share or approximately EUR 195 million

Statement of Lard Friese, CEO

‘With a Solvency II ratio of 252% and a cash capital position of EUR 2.3 billion, NN Group’s capital position remained strong and resilient during the second quarter of 2016, allowing us to weather severe market volatility and pay an interim dividend in line with our dividend policy.

Our businesses were however impacted by market conditions and low interest rates, reducing the investment income of our insurance businesses. Extraordinary developments in recent months, including the result of the ‘Brexit’ referendum, impacted global financial markets. The asset management environment remains difficult due to ongoing market turmoil, resulting in continued de-risking by clients and pressure on fees.

Our Non-life combined ratio was impacted by severe storms in the Netherlands in the Property and Casualty business, which was only partly compensated by a favourable claims development in the Disability & Accident portfolio. Regulatory changes, such as the tax on assets in Poland introduced in February 2016, impacted the operating result of Insurance Europe. We are closely following the Polish government’s plans to further reform the pension system.

Amidst these challenging conditions, new sales of life insurance products held up well compared with the same quarter last year. The execution of our cost saving plans is well underway, and NN Bank is showing robust growth in mortgages and savings, reporting a solid net inflow of retail saving deposits in the first six months of this year.

Going forward, we will continue to focus on the execution of our strategy, delivering excellent service to our customers making our operations more efficient and effective, and pursuing growth in selected European markets and Japan.’

NN Group key figures

In EUR million	2Q16	2Q15	Change	6M16	6M15	Change
Operating result ongoing business	321	488	-34.1%	626	792	-21.0%
Net result	335	392	-14.6%	605	877	-31.0%
Net operating ROE	8.6%	14.9%		8.6%	11.8%	
Solvency II ratio ¹⁾	252%			252%		

Note: All footnotes are included on page 27

Quarterly Business Update

NN Group's strong financial position in the first half of 2016 reflects the resilience of its businesses in an environment which continues to be characterised by low interest rates and market volatility. This provides a solid foundation for executing the strategy, which is to deliver an excellent customer experience based on transparent products and services and long-term relationships. NN Group aims to help people secure their financial futures, and is committed to delivering products and services that are easy to understand and meet customers' lifetime needs.

Transparent products and services

NN Hungary successfully launched a new accident insurance product which has been well received by both customers and tied agents. The product offers financial support and unique medical and assistance services that are crucial for faster recovery after an accident.

Our Czech business unit launched NN Život, an insurance product covering a wide range of risks including death, illnesses, long-term disability and hospitalisation. Japan Life launched a new COLI critical illness product to help ensure business continuity when SME owners fall ill.

In the Netherlands, Nationale-Nederlanden helps SME companies to understand the implications of a new 'Return to Work' regulation for partially disabled employees (WGA Flex), also offering them solutions. Non-life's continued focus on customer centricity and transparent customer communication resulted in higher customer loyalty as measured by its increasing Net Promotor Scores. Furthermore, Netherlands Life is strengthening its commercial position by developing new features for group pension schemes, allowing participants to invest additional contributions during their working life ('Bijsparen'), or to keep investing after their retirement ('Doorbeleggen').

Capturing growth

The fundamental need of people to protect themselves against uncertainties will continue to drive growth in the insurance industry over the long term. For example, NN Life in Romania launched an innovative private health insurance solution in their market, insuring the financial future of a customer's family should unexpected medical situations arise.

In Spain, Nationale-Nederlanden recently launched a suite of Growing Guarantee savings products, which are less capital intensive, while guaranteeing our customers their investment with an upward potential. Movir, which offers individual disability insurance to business professionals in the Netherlands, successfully launched a campaign to inform clients about the option to align their individual disability insurance to their pension age, resulting in additional recurring premium income. NN Bank continues to grow its customer base, attracting almost 8,000 new clients in the second quarter. Through cross-selling efforts, another 4,500 insurance customers became clients of NN Bank. In the second quarter, NN Bank grew its mortgage portfolio from EUR 10.9 billion to EUR 11.4 billion and its customer savings from EUR 8.6 billion to EUR 9.3 billion.

Multi-access distribution

NN Group serves its customers through multiple channels, comprising tied agents, bancassurance partners, brokers and direct channels. Bancassurance COLI sales in Japan increased by 54% compared with the same quarter in 2015, excluding currency effects, driven by the expansion of the bank distribution network.

The acquisition of Notus Financial Advisors, a leading financial broker in Poland, which was announced in the second quarter, was completed in July 2016. The acquisition will further strengthen and diversify the distribution network of Nationale-Nederlanden Poland.

Effective and efficient operations

NN Group aims to make its processes as efficient and effective as possible across all segments, and is sharpening its client focus tailored by type and country, making the organisation more agile. For example, during the severe storm and flooding in Belgium this quarter, an NN Mobile Office was used to help customers settle their claims. This temporary office and the service provided were highly valued by customers.

In the Netherlands, the strategy is centred around providing digital, personal and relevant services with the aim of enhancing customer experience. Nationale-Nederlanden has combined various individual customer communication channels, making it easier for clients to communicate with the company, while reducing costs at

the same time. New functionalities are continually being implemented to meet the growing customer demand for 24/7 services and solutions, while at the same time wanting to be recognised and treated as an individual customer. For example, customers logging into the NN portal receive a personal message alerting them when the fixed rate period of their mortgage will end within four months.

Our asset manager, NN Investment Partners, is making good progress with its 'focus, simplify and optimise' initiatives. The fund rationalisation project is well on track. Investment boutiques have been aligned with growth opportunities, capturing economies of scale in the product portfolios.

Innovation

By investing in innovation, NN Group aims to improve customer satisfaction, intuitive interaction and efficiency at the same time. NN Group announced in July that it entered into a three-year partnership with StartupBootcamp, a growth accelerator, which helps fintech start-ups expand into full-grown businesses. The programme aims to increase the speed of innovation and strengthen customer centricity. In addition to providing financial support, NN Group will offer professional assistance to fintech start-ups by providing employee mentors. Also, through internships, our employees are given the opportunity to gain insights and hands-on experience in fintech product innovation.

Furthermore, Sparklab (NN Non-life's innovation lab) introduced its 'Ab Concept' in the Dutch market. This is a pilot in which prevention services are combined with residents' participation and new technology, with the aim of increasing safety in residential areas.

NN's broker in Turkey, Sigorta Cini, is executing a 'clicks & bricks' strategy, enabling the company to become a 'top 3' online aggregator.

NN Group believes that mind-set is crucial in creating businesses that nurture innovation. In order to further foster this mind-set, all NN Life managers have participated in a programme focusing on stimulating innovation, entrepreneurship and accountable leadership.

Other events

In the second quarter of 2016, NN Group became a constituent of the FTSE4Good Index Series. This inclusion demonstrates that the company has met stringent environmental, social and governance criteria, and is well positioned to capitalise on the benefits of responsible business practice.

NN Group's sport sponsorship policy focuses on running, an activity that unites different generations and is accessible to everyone. This way we want to contribute to people's health and wellbeing. NN Group has been the main sponsor of large running events across Europe and in Japan, including marathons in Athens and Rotterdam, and the San Silvestre race in Madrid, Spain. This quarter, NN Group was the official sponsor of the 2016 European Athletics Championships, the largest sports event in the Netherlands in 2016.

Consolidated results

Consolidated profit and loss account NN Group

In EUR million	2Q16	2Q15	Change	6M16	6M15	Change
Analysis of results						
Netherlands Life	193	332	-42.1%	369	484	-23.8%
Netherlands Non-life	19	45	-57.6%	28	69	-59.0%
Insurance Europe	52	55	-6.1%	86	95	-9.7%
Japan Life	23	25	-6.9%	90	96	-6.5%
Asset Management	33	38	-13.5%	62	74	-16.8%
Other	2	-7		-9	-27	
Operating result ongoing business	321	488	-34.1%	626	792	-21.0%
Non-operating items ongoing business	153	-36		274	247	10.8%
of which gains/losses and impairments	88	46	91.9%	117	218	-46.2%
of which revaluations	40	67	-39.3%	103	141	-27.1%
of which market & other impacts	24	-149		54	-111	
Japan Closed Block VA	-28	43		-97	60	-262.6%
Special items before tax	-20	-35		-46	-55	
Result on divestments	0	0		0	0	
Result before tax	426	460	-7.2%	758	1,044	-27.4%
Taxation	91	52	76.6%	152	142	7.1%
Minority interests	0	16	-99.0%	0	25	-98.4%
Net result	335	392	-14.6%	605	877	-31.0%
Basic earnings per ordinary share in EUR ²⁾	1.01	1.13	-10.6%			

Key Figures

In EUR million	2Q16	2Q15	Change	6M16	6M15	Change
Ongoing business						
Gross premium income	2,020	1,948	3.7%	5,299	5,524	-4.1%
New sales life insurance (APE)	284	278	2.0%	762	776	-1.8%
Value of new business				101	113	-10.6%
Total administrative expenses	426	429	-0.7%	850	867	-2.0%
Cost/income ratio (Administrative expenses/Operating income)	33.5%	30.7%		33.2%	32.6%	
Combined ratio (Netherlands Non-life) ³⁾	103.7%	99.7%		104.0%	100.0%	
Asset Management Assets under Management ⁴⁾⁸⁾	197	193	1.8%	197	193	1.8%
Life general account invested assets ⁴⁾	88	83	6.1%	88	83	6.1%
Investment margin/Life general account invested assets (bps) ⁵⁾	101	104				
Total provisions for insurance & investment contracts ⁴⁾	109	105	3.9%	109	105	3.9%
of which for risk policyholder ⁴⁾	23	26	-11.2%	23	26	-11.2%
NN Life Solvency II ratio ¹⁾	239%			239%		
Net operating result ⁶⁾	246	401	-38.7%	488	630	-22.5%
Net operating ROE ⁷⁾	8.6%	14.9%		8.6%	11.8%	
Japan Closed Block VA						
Account value	9,064	11,610	-21.9%	9,064	11,610	-21.9%
Number of policies	173,806	239,510	-27.4%	173,806	239,510	-27.4%
Total NN Group						
Solvency II ratio ¹⁾	252%			252%		
Total assets ⁴⁾	178	162	10.0%	178	162	10.0%
Shareholders' equity	25,254	19,602	28.8%	25,254	19,602	28.8%
Employees (internal FTEs, end of period)	11,443	11,538	-0.8%	11,443	11,538	-0.8%

Note: All footnotes are included on page 27

Note: Operating result and Adjusted allocated equity (as used in the calculation of Net operating ROE) are Alternative Performance Measures. These measures are derived from figures according to IFRS-EU. The operating result is derived by adjusting the reported result before tax to exclude the impact of result on divestments, discontinued operations and special items, gains/losses and impairments, revaluations and market & other impacts. The adjusted allocated equity is derived by adjusting the reported total equity to exclude revaluation reserves and the undated subordinated notes classified as equity. Alternative Performance Measures are non-IFRS-EU measures that have a relevant IFRS-EU equivalent. For definitions and explanations of the Alternative Performance Measures reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the 30 June 2016 Condensed consolidated interim financial information.

- NN Group's operating result of the ongoing business decreased to EUR 321 million from EUR 488 million in the second quarter of 2015; the current quarter was impacted by higher claims at Netherlands Non-life due to severe storms, while the second quarter last year was supported by a private equity dividend and a significantly higher technical margin in Netherlands Life
- The result before tax decreased to EUR 426 million from EUR 460 million in the second quarter of 2015, reflecting the lower operating result of the ongoing business and a lower result for Japan Closed Block VA, partly compensated by higher non-operating items
- Cost savings in the Netherlands of EUR 6 million in the second quarter of 2016, bringing the expense base down to EUR 786 million
- New sales (APE) were EUR 284 million, down 1.1% from the first quarter of 2016 on a constant currency basis
- VNB for the first six months of 2016 decreased 10.6% to EUR 101 million primarily reflecting lower VNB at Insurance Europe

Operating result

The operating result of the ongoing business was EUR 321 million, down 34.1% from the second quarter of 2015. The current quarter was impacted by EUR 28 million of claims at Netherlands Non-life due to severe storms, while the second quarter last year benefited from a private equity dividend for a total amount of EUR 70 million in Netherlands Life and Netherlands Non-life and a significantly higher technical margin in Netherlands Life, driven by non-recurring benefits of EUR 27 million and a release of the unit-linked guarantee provision.

The administrative expenses for Netherlands Life, Netherlands Non-life and corporate/holding entities decreased by EUR 6 million in the second quarter of 2016 to EUR 786 million on a last 12-months basis. The target annual administrative expense base for Netherlands Life, Netherlands Non-life and corporate/holding entities by the end of 2018 will be reduced from EUR 700 million to EUR 685 million, following the announced divestment of Mandema & Partners.

The operating result of Netherlands Life decreased to EUR 193 million from EUR 332 million in the second quarter of 2015, which was supported by a EUR 61 million private equity dividend and EUR 27 million of non-recurring benefits in the technical margin. The current quarter reflects a EUR 7 million addition to the unit-linked guarantee provision due to a decrease in interest rates, compared with a EUR 28 million release of this provision in the second quarter of 2015.

The operating result of Netherlands Non-life decreased to EUR 19 million from EUR 45 million in the second quarter of 2015, which was supported by a EUR 9 million private equity dividend. The results of Property & Casualty (P&C) in the current quarter were impacted by EUR 28 million of claims due to severe storms partly offset by a favourable claims development in Disability & Accident (D&A). The combined ratio deteriorated to 103.7% in the second quarter of 2016 from 99.7% in the second quarter of 2015.

The operating result of Insurance Europe decreased to EUR 52 million from EUR 55 million in the second quarter of 2015, due to a lower investment margin as well as the impact of the tax on assets in Poland introduced in February 2016.

The operating result of Japan Life was EUR 23 million, down 15.6% from the second quarter of 2015, excluding currency effects, reflecting a decrease in the investment margin and lower mortality results, partly compensated by higher fees and premium-based revenues.

The operating result of Asset Management decreased to EUR 33 million from EUR 38 million as a result of lower fees, partly compensated by a decrease in expenses.

The operating result of the segment Other improved to EUR 2 million from EUR -7 million in the second quarter of 2015, reflecting a higher operating result at NN Bank driven by a higher interest margin and a lower addition to the loan loss provision, partly offset by higher expenses.

In the first six months of 2016, the operating result of the ongoing business decreased to EUR 626 million from EUR 792 million in the same period last year, due to higher claims in Netherlands Non-life as a result of severe storms, while last year's result benefited from higher private equity dividends and a significantly higher technical margin in Netherlands Life.

Result before tax

The result before tax for the second quarter of 2016 decreased to EUR 426 million from EUR 460 million in the second quarter of 2015, reflecting the lower operating result of the ongoing business and a lower result at Japan Closed Block VA, partly compensated by higher non-operating items.

Gains/losses and impairments were EUR 88 million compared with EUR 46 million in the second quarter of 2015. Higher capital gains on debt securities and lower impairments on equity securities were partly offset by lower capital gains on equity securities.

Revaluations decreased to EUR 40 million from EUR 67 million in the second quarter of 2015 due to lower positive revaluations on real estate and private equity.

Market and other impacts amounted to EUR 24 million compared with EUR -149 million in the second quarter of 2015, reflecting movements in the provision for guarantees on separate account pension contracts (net of hedging) at Netherlands Life.

The result before tax of Japan Closed Block VA was EUR -28 million compared with EUR 43 million in the second quarter of 2015, reflecting negative hedge-related results due to higher market volatility, and a lower operating result in line with the run-off of the portfolio.

Special items amounted to EUR -20 million compared with EUR -35 million in the second quarter of 2015. Special items in the current quarter consist of EUR 11 million of restructuring expenses related to the target to reduce the administrative expense base of Netherlands Life, Netherlands Non-life and corporate/holding entities and EUR 9 million of rebranding expenses.

In the first six months of 2016, the result before tax decreased to EUR 758 million from EUR 1,044 million in the same period last year, largely reflecting the lower operating result of the ongoing business and lower results at Japan Closed Block VA.

Net result

The net result decreased to EUR 335 million from EUR 392 million in the second quarter of 2015 due to a lower result before tax and a higher tax expense in the second quarter of 2016. The effective tax rate in the second quarter of 2016 was 21% compared with 11% in the same quarter last year, which included higher tax-exempt dividends and capital gains in the Netherlands mainly related to shareholdings of 5% or more.

Sales and Value of New Business

Total new sales (APE) at NN Group were EUR 284 million, down 1.1% from the second quarter of 2015 on a constant currency basis. New sales were up 34.7% at Netherlands Life due to renewals of a few large pension contracts. At Insurance Europe, new sales were down 2.9% from the second quarter of 2015 on a constant currency basis, mainly due to the discontinuation of a pension insurance product in Greece last year. New sales at Japan Life were down 5.9% from the second quarter of 2015, at constant currencies. Lower sales of COLI level term and increasing term products were partly offset by a 26% increase in sales of higher margin COLI protection products. In the first six months of 2016, total new sales amounted to EUR 762 million, down 3.6% on a constant currency basis, largely due to lower sales in Netherlands Life and Japan Life.

In the first six months of 2016, the value of new business (VNB) declined to EUR 101 million from EUR 113 million in the same period of 2015. The decrease primarily reflects a lower VNB at Insurance Europe largely due to lower term insurance sales in Belgium and negative market impacts.

Net operating Return On Equity (ROE)

The net operating ROE of the ongoing business of NN Group was 8.6% compared with 14.9% in the second quarter of 2015, as the current quarter was impacted by higher claims at Netherlands Non-life due to severe storms, while the second quarter of last year benefited from a private equity dividend and a higher technical margin at Netherlands Life.

For the same reasons, the net operating ROE in the first six months of 2016 decreased to 8.6% from 11.8% in the same period in 2015.

Divestments

In the Netherlands, NN Group recently reached an agreement with Van Lanschot Chabot on the sale of Mandema & Partners. The sale is a result of the continuous strategic assessment of NN Group's portfolio. The transaction is subject to regulatory approval and the advice of the central works council of NN Group and the workers' council of Van Lanschot Chabot, and is expected to close in the fourth quarter of 2016. The transaction is not expected to have a material impact on the capital position and operating result of NN Group. Mandema & Partners is a broker business presented in the segment Netherlands Non-life.

In the second half of 2016, NN Re (Ireland) Ltd. expects to sign a portfolio transfer agreement for an investment contract and the related investments. These assets and liabilities are presented as held for sale at 30 June 2016. As the investment contract and related investments are the only activity of NN Re (Ireland) Ltd., it intends to repatriate capital to NN Group after completion of the transfer. These transactions are expected to result in a net loss, which is expected to be immaterial and to be recognised in the second half of 2016. NN Re (Ireland) Ltd. is presented in the segment 'Other'.

Netherlands Life

- Operating result was EUR 193 million versus EUR 332 million in the second quarter of 2015, which was supported by a private equity dividend and non-recurring benefits in the technical margin
- Result before tax increased to EUR 347 million compared with EUR 283 million in the second quarter of 2015 driven by higher non-operating items
- NN Life Solvency II ratio of 239%, up from 212% at the end of the first quarter of 2016 due to positive market impacts partly offset by the dividend paid to NN Group

In EUR million	2Q16	2Q15	Change	6M16	6M15	Change
Analysis of results						
Investment margin	209	260	-19.6%	400	422	-5.2%
Fees and premium-based revenues	79	81	-3.0%	176	196	-10.0%
Technical margin	21	105	-80.3%	30	108	-72.2%
Operating income non-modelled business	0	0		0	0	
Operating income	309	446	-30.8%	606	725	-16.4%
Administrative expenses	107	104	3.2%	216	215	0.5%
DAC amortisation and trail commissions	9	10	-12.5%	21	26	-19.1%
Expenses	116	114	1.8%	237	241	-1.6%
Operating result	193	332	-42.1%	369	484	-23.8%
Non-operating items	156	-49		257	198	29.9%
of which gains/losses and impairments	91	37	142.5%	96	178	-46.0%
of which revaluations	39	63	-37.6%	103	130	-21.0%
of which market & other impacts	26	-149		58	-111	
Special items before tax	-1	-1		-2	-2	
Result on divestments	0	0		0	0	
Result before tax	347	283	22.7%	624	680	-8.3%
Taxation	69	19	260.9%	120	75	60.1%
Minority interests	0	14	-98.9%	0	22	-98.1%
Net result	278	250	11.3%	504	583	-13.6%
New business						
Single premiums	65	87	-25.2%	166	626	-73.4%
Regular premiums	26	16	67.8%	179	141	27.4%
New sales life insurance (APE)	33	24	34.7%	196	203	-3.6%
Value of new business				6	8	-20.9%
Key figures						
Gross premium income	435	469	-7.2%	1,419	1,866	-24.0%
Total administrative expenses	107	104	3.2%	216	215	0.5%
Cost/income ratio (Administrative expenses/Operating income)	34.8%	23.3%		35.6%	29.7%	
Life general account invested assets ⁴⁾	64	62	4.1%	64	62	4.1%
Investment margin/Life general account invested assets (bps) ⁵⁾	128	127				
Total provisions for insurance & investment contracts ⁴⁾	75	73	3.3%	75	73	3.3%
of which for risk policyholder ⁴⁾	15	18	-14.8%	15	18	-14.8%
Allocated equity (end of period) ⁹⁾	17,818	13,488	32.1%	17,818	13,488	32.1%
Net operating ROE ⁹⁾	8.7%	17.0%		8.7%	12.3%	
NN Life Solvency II ratio ¹⁾	239%			239%		
Employees (internal FTEs, end of period)	2,078	2,085	-0.4%	2,078	2,085	-0.4%

The operating result of Netherlands Life decreased to EUR 193 million from EUR 332 million in the second quarter of 2015, which was supported by a private equity dividend and a significantly higher technical margin.

The investment margin decreased to EUR 209 million from EUR 260 million in the second quarter of 2015, which benefited from a EUR 61 million private equity dividend. An increased allocation to higher-yielding assets helped to offset the impact of the low interest rate environment on reinvestments. The investment spread, calculated on a four-quarter rolling average, was 128 basis points which is stable compared with the second quarter of 2015.

Fees and premium-based revenues decreased to EUR 79 million from EUR 81 million in the second quarter of 2015 due to the individual life closed book run-off.

The technical margin decreased to EUR 21 million from EUR 105 million in the second quarter of 2015, which was supported by EUR 27 million of non-recurring benefits primarily related to technical provision releases. The current quarter reflects a EUR 7 million addition to the unit-linked guarantee provision due to a decrease in interest rates, compared with a EUR 28 million release of this provision in the second quarter of 2015.

Administrative expenses increased to EUR 107 million from EUR 104 million in the second quarter of 2015 due to higher project expenses primarily related to changes in pension regulations.

DAC amortisation and trail commissions were EUR 9 million versus EUR 10 million in the second quarter of 2015, reflecting the run-off of the individual life closed book and regulatory changes.

The result before tax increased to EUR 347 million from EUR 283 million in the second quarter of 2015. Gains/losses and impairments were EUR 91 million, reflecting capital gains on bonds and public equity. Revaluations were EUR 39 million relating to revaluations on private equity and real estate. Market and other impacts were EUR 26 million compared with EUR -149 million in the second quarter of 2015, reflecting movements in the provision for guarantees on separate account pension contracts (net of hedging).

New sales (APE) increased to EUR 33 million from EUR 24 million in the second quarter of 2015 mainly driven by the renewal of a few large group pension contracts.

In the first six months of 2016, Netherlands Life's operating result declined to EUR 369 million from EUR 484 million in the same period last year, which benefited from higher private equity dividends and non-recurring benefits in the technical margin. The technical margin in the first six months of 2016 also reflects an addition to the unit-linked guarantee provision of EUR 32 million due to a decrease in interest rates, compared with a EUR 8 million release of the provision in the same period last year. Fees and premium-based revenues declined reflecting the run-off of the individual life closed book as well as lower margins in the pension business.

The result before tax was EUR 624 million in the first six months of 2016 compared with EUR 680 million in the same period last year. This decline is due to a lower operating result, lower gains/losses and impairments and lower positive revaluations on private equity and real estate. This was partly compensated by positive market and other impacts reflecting movements in the provision for guarantees on separate account pension contracts.

New sales (APE) decreased to EUR 196 million in the first six months of 2016 from EUR 203 million in the same period last year, which included a EUR 420 million single premium relating to the buy-out of a large company pension fund. Excluding the impact of this buy-out, APE increased by EUR 34 million, mainly driven by the renewal of a few large group pension contracts.

The value of new business (VNB) for the first six months of 2016 was EUR 6 million, compared with EUR 8 million in the same period last year.

Netherlands Non-life

- Operating result decreased to EUR 19 million from EUR 45 million in the second quarter of 2015, due to higher claims in P&C relating to severe storms, while the second quarter of last year was supported by a private equity dividend
- Combined ratio deteriorated to 103.7% from 99.7% in the second quarter of 2015 as favourable claims experience in D&A was more than offset by the impact of severe storms in P&C

In EUR million	2Q16	2Q15	Change	6M16	6M15	Change
Analysis of results						
Earned premiums	386	380	1.6%	770	762	1.1%
Investment income	32	44	-27.5%	56	67	-15.8%
Other income	-1	-2		0	0	
Operating income	417	422	-1.2%	827	829	-0.2%
Claims incurred, net of reinsurance	284	261	8.9%	573	528	8.5%
Acquisition costs	62	60	4.1%	121	120	0.8%
Administrative expenses	54	58	-6.6%	108	114	-5.2%
Acquisition costs and administrative expenses	116	117	-1.2%	229	234	-2.1%
Expenditure	400	379	5.8%	802	761	5.3%
Operating result insurance businesses	17	44	-61.1%	25	67	-62.1%
Operating result broker businesses	2	1	69.4%	3	2	42.0%
Total operating result	19	45	-57.6%	28	69	-59.0%
Non-operating items	5	5	6.8%	31	13	138.1%
of which gains/losses and impairments	0	1		23	4	482.1%
of which revaluations	5	4	14.4%	8	9	-14.9%
of which market & other impacts	0	0		0	0	
Special items before tax	-6	0		-12	-1	
Result on divestments	0	0		0	0	
Result before tax	19	49	-62.4%	47	81	-41.6%
Taxation	3	9	-62.3%	10	15	-36.6%
Minority interests	0	0		0	0	
Net result	15	41	-62.4%	38	66	-42.7%
Key figures						
Gross premium income	292	289	1.0%	1,052	1,023	2.8%
Total administrative expenses ¹⁰⁾	69	75	-7.7%	139	148	-6.0%
Combined ratio ³⁾	103.7%	99.7%		104.0%	100.0%	
of which Claims ratio ³⁾	73.7%	68.8%		74.4%	69.3%	
of which Expense ratio ³⁾	30.1%	30.9%		29.7%	30.7%	
Total insurance provisions ⁴⁾	4	3	1.1%	4	3	1.1%
Allocated equity (end of period) ⁹⁾	731	733	-0.2%	731	733	-0.2%
Net operating ROE ⁹⁾	16.9%	34.5%		12.6%	26.4%	
Employees (internal FTEs, end of period)	1,630	1,702	-4.2%	1,630	1,702	-4.2%

The operating result of Netherlands Non-life decreased to EUR 19 million from EUR 45 million in the second quarter of 2015, which was supported by a EUR 9 million private equity dividend. The results of Property & Casualty (P&C) in the current quarter were impacted by EUR 28 million of claims due to severe storms partly offset by a favourable claims development in Disability & Accident (D&A). The combined ratio deteriorated to 103.7% in the second quarter of 2016 from 99.7% in the second quarter of 2015.

The operating result in D&A increased to EUR 47 million from EUR 37 million in the second quarter of 2015, which included a EUR 6 million private equity dividend. The current quarter reflects a favourable claims development in both the Individual disability and the Group income protection portfolios as well as a EUR 4 million positive impact from an IBNR update. The D&A combined ratio was 87.3% compared with 97.4% in the second quarter of 2015.

The operating result in P&C decreased to EUR -30 million from EUR 7 million in the second quarter of 2015, which included a EUR 3 million private equity dividend. The current quarter reflects the impact of severe storms of EUR 28 million affecting both the Fire and Motor portfolios. An unfavourable claims experience in Motor and Miscellaneous also contributed to the decrease. The P&C combined ratio was 117.9% compared with 101.7% in the second quarter of 2015.

Administrative expenses amounted to EUR 54 million, down 6.6% compared with the second quarter of 2015, which included EUR 4 million of restructuring expenses.

The result before tax of Netherlands Non-life decreased to EUR 19 million from EUR 49 million in the second quarter of 2015 reflecting the lower operating result and higher special items related to restructuring expenses.

In the first six months of 2016, the operating result of Netherlands Non-life decreased to EUR 28 million from EUR 69 million in the same period of 2015. The decrease is mainly attributable to the impact of the severe storms, lower private equity dividends and an unfavourable claims experience in Motor and Miscellaneous, partly compensated by fewer large claims in Fire.

The result before tax in the first six months of 2016 was EUR 47 million compared with EUR 81 million in the same period of 2015, as the lower operating result and higher special items were partly compensated by higher gains on the sale of debt securities.

The combined ratio for the first six months of 2016 was 104.0% compared with 100.0% in the same period of 2015.

Insurance Europe

- Operating result decreased to EUR 52 million from EUR 55 million in the second quarter of 2015, reflecting a lower investment margin as well as the tax on assets in Poland effective as of February 2016
- New sales (APE) were EUR 123 million, down 2.9% from the second quarter of 2015 at constant currencies
- Value of new business (VNB) for the first six months of 2016 was EUR 46 million, down from EUR 55 million in the same period last year

In EUR million	2Q16	2Q15	Change	6M16	6M15	Change
Analysis of results						
Investment margin	19	20	-5.0%	34	41	-18.4%
Fees and premium-based revenues	137	135	1.6%	271	267	1.5%
Technical margin	51	51	-0.2%	93	96	-3.1%
Operating income non-modelled business	1	1	-41.1%	2	2	-25.4%
Operating income Life Insurance	208	208	0.2%	399	406	-1.8%
Administrative expenses	79	75	4.3%	157	152	3.2%
DAC amortisation and trail commissions	78	78	-0.3%	157	161	-2.4%
Expenses Life Insurance	156	154	1.9%	314	313	0.3%
Operating result Life Insurance	52	54	-4.5%	86	94	-8.7%
Non-life operating result	0	1	-84.0%	1	2	-65.3%
Operating result	52	55	-6.1%	86	95	-9.7%
Non-operating items	-6	7	-182.7%	-7	23	-130.4%
of which gains/losses and impairments	-5	6	-175.1%	-6	20	-127.7%
of which revaluations	1	1	-32.6%	2	3	-34.2%
of which market & other impacts	-2	0		-3	0	
Special items before tax	-6	-19		-22	-30	
Result on divestments	0	0		0	0	
Result before tax	40	44	-9.4%	57	88	-35.3%
Taxation	11	11	-4.9%	14	22	-35.3%
Minority interests	0	2	-100.0%	0	3	-100.0%
Net result	29	31	-6.6%	43	63	-32.4%
New business						
Single premiums	214	231	-7.3%	480	483	-0.8%
Regular premiums	101	107	-5.1%	215	225	-4.2%
New sales life insurance (APE)	123	130	-5.5%	263	273	-3.6%
Value of new business				46	55	-16.6%
Key figures						
Gross premium income	586	584	0.4%	1,166	1,170	-0.3%
Total administrative expenses (Life & Non-life)	82	80	2.5%	163	161	1.6%
Cost/income ratio (Administrative expenses/Operating income)	35.7%	35.2%		37.1%	36.3%	
Life general account invested assets ⁴⁾	10	11	-7.6%	10	11	-7.6%
Investment margin/Life general account invested assets (bps) ⁵⁾	70	73				
Total provisions for insurance & investment contracts ⁴⁾	18	19	-4.4%	18	19	-4.4%
of which for risk policyholder ⁴⁾	7	8	-3.2%	7	8	-3.2%
Assets under management pensions ⁴⁾¹¹⁾	15	15	-0.9%	15	15	-0.9%
Allocated equity (end of period) ⁹⁾	1,867	1,877	-0.6%	1,867	1,877	-0.6%
Net operating ROE ⁹⁾	11.4%	10.6%		9.5%	9.2%	
Employees (internal FTEs, end of period)	4,112	4,053	1.5%	4,112	4,053	1.5%

The operating result of Insurance Europe decreased to EUR 52 million from EUR 55 million in the second quarter of 2015, due to a lower investment margin as well as higher administrative expenses, partly offset by higher fees and premium-based revenues.

The investment margin was EUR 19 million, down from EUR 20 million in the second quarter of 2015, due to lower reinvestment rates and lower invested volumes.

Fees and premium-based revenues increased to EUR 137 million from EUR 135 million in the second quarter of 2015. The current quarter reflects EUR 3 million in non-recurring benefits related to the life business in Romania, partly offset by lower unit-linked revenues.

The technical margin was stable at EUR 51 million, reflecting higher surrender results in the current quarter, while the second quarter of 2015 benefited from EUR 3 million of reserve releases.

Administrative expenses increased to EUR 79 million from EUR 75 million in the second quarter of 2015, reflecting the tax on assets of insurance companies that became effective in Poland as of February 2016 and higher project expenses across the region. Administrative expenses in the second quarter of 2015 benefited from the recovery of a receivable in Turkey of EUR 1 million.

The result before tax was EUR 40 million, down from EUR 44 million in the second quarter of 2015, mainly due to the lower operating result and lower non-operating items, partly offset by a decrease in special items related to rebranding expenses.

New sales (APE) were EUR 123 million, down 2.9% from the second quarter of 2015 at constant currencies, mainly due to the discontinuation of a pension insurance product in Greece last year.

In the first six months of 2016, the operating result of Insurance Europe decreased to EUR 86 million, from EUR 95 million in the same period of 2015. The decline in the investment margin and a decrease in the technical margin due to a provision related to the terrorist attacks in Belgium in March 2016 were only partly compensated by an increase in fees and premium-based revenues. The result before tax in the first six months of 2016 decreased to EUR 57 million from EUR 88 million in the same period of 2015 reflecting the lower operating result and lower non-operating items, partly offset by a decrease in special items.

New sales were EUR 263 million in the first six months of 2016, down from EUR 273 million in the same period of 2015, which included the sale of a large group contract in Spain. Excluding this contract and excluding currency effects, new sales increased by 3.4% driven mainly by higher bancassurance sales in Romania.

In the first six months of 2016, the value of new business (VNB) decreased to EUR 46 million from EUR 55 million in the same period in 2015, largely due to lower term insurance sales in Belgium and negative market impacts.

Japan Life

- Operating result was EUR 23 million, down 15.6% from the second quarter of 2015 excluding currency effects, reflecting a decrease in the investment margin and lower mortality results, partly compensated by higher fees and premium-based revenues
- New sales (APE) were EUR 128 million, down 5.9% from the second quarter of 2015 at constant currencies
- Value of new business (VNB) was EUR 49 million in the first six months of 2016, broadly stable compared with the same period of 2015

In EUR million	2Q16	2Q15	Change	6M16	6M15	Change
Analysis of results						
Investment margin	-7	-4		-12	-5	
Fees and premium-based revenues	130	114	14.2%	306	274	12.0%
Technical margin	-9	-9		-10	-7	
Operating income non-modelled business	0	0		0	0	
Operating income	115	102	12.4%	284	261	8.9%
Administrative expenses	31	27	15.4%	55	51	7.0%
DAC amortisation and trail commissions	60	50	20.3%	139	113	23.0%
Expenses	92	77	18.6%	194	165	18.0%
Operating result	23	25	-6.9%	90	96	-6.5%
Non-operating items	-2	0		-3	3	-203.2%
of which gains/losses and impairments	1	1	3.1%	1	4	-79.2%
of which revaluations	-3	-1		-4	-1	
of which market & other impacts	0	0		0	0	
Special items before tax	-1	-5		-2	-7	
Result on divestments	0	0		0	0	
Result before tax	20	20	3.8%	85	93	-8.2%
Taxation	10	3	284.1%	18	16	14.8%
Minority interests	0	0		0	0	
Net result	10	17	-41.6%	67	77	-12.9%
New business						
Single premiums	0	2	-87.9%	6	11	-45.8%
Regular premiums	128	124	3.6%	303	299	1.2%
New sales life insurance (APE)	128	124	3.5%	303	300	1.0%
Value of new business				49	50	-2.4%
Key figures						
Gross premium income	701	599	17.0%	1,651	1,453	13.6%
Total administrative expenses	31	27	15.4%	55	51	7.0%
Cost/income ratio (Administrative expenses/Operating income)	27.4%	26.5%		19.4%	19.5%	
Life general account invested assets ⁴⁾	13	10	32.8%	13	10	32.8%
Total provisions for insurance & investment contracts ⁴⁾	13	9	34.3%	13	9	34.3%
of which for risk policyholder ⁴⁾	0	0	3.3%	0	0	3.3%
Allocated equity (end of period) ⁹⁾	2,822	1,667	69.3%	2,822	1,667	69.3%
Net operating ROE ⁹⁾	4.3%	5.7%		8.6%	10.5%	
Employees (internal FTEs, end of period)	669	609	9.9%	669	609	9.9%

The operating result of Japan Life was EUR 23 million, down 15.6% from the second quarter of 2015 excluding currency effects, reflecting a decrease in the investment margin and lower mortality results, partly compensated by higher fees and premium-based revenues.

The investment margin was EUR -7 million compared with EUR -4 million in the second quarter of 2015 due to lower interest rates on reinvested assets.

Fees and premium-based revenues were EUR 130 million, up 3.8% from the second quarter of 2015 excluding currency effects, driven by higher in-force volumes.

The technical margin was EUR -9 million, stable on the second quarter of 2015. This reflects higher surrender results offset by lower mortality results driven by a few large claims. The higher surrender results in the technical margin were partly offset by higher DAC amortisation on surrenders.

Administrative expenses were EUR 31 million, up 5.4% from the second quarter of 2015 on a constant currency basis, mainly due to higher staff and project-related expenses to support the growth of the business.

DAC amortisation and trail commissions were EUR 60 million, up 9.4% from the second quarter of 2015 excluding currency effects, due to increased premium income and higher DAC amortisation on surrenders.

The result before tax was EUR 20 million, down 6.9% from the second quarter of 2015 excluding currency effects, due to the lower operating result partly offset by a decrease in special items related to rebranding expenses.

New sales (APE) were EUR 128 million, down 5.9% from the second quarter of 2015 at constant currencies. Lower sales of COLI level term and increasing term products were partly offset by a 26% increase in sales of higher margin COLI protection products.

In the first six months of 2016, the operating result of Japan Life was EUR 90 million compared with EUR 96 million in the same period of 2015, down 12.1% excluding currency effects. The decline of the operating result reflects a lower investment margin, a decrease in mortality results and higher DAC amortisation on surrenders, partly offset by higher fees and premium-based revenues. The result before tax was EUR 85 million compared with EUR 93 million in 2015, down 13.8% at constant currencies.

In the first six months of 2016, new sales (APE) were EUR 303 million compared with EUR 300 million, down 5.7% at constant currencies. The value of new business (VNB) was EUR 49 million, broadly stable on the same period of 2015, as the impact of the decrease in interest rates was largely offset by higher sales of COLI protection products.

Asset Management

- Total Assets under Management (AuM) increased to EUR 197 billion from EUR 190 billion at the end of the first quarter of 2016 driven by positive market performance
- Operating result decreased to EUR 33 million, as a decrease in fees was only partly offset by lower expenses

In EUR million	2Q16	2Q15	Change	6M16	6M15	Change
Analysis of results						
Investment income	0	0		0	0	
Fees	113	129	-12.4%	224	254	-11.8%
Operating income	113	128	-11.9%	224	253	-11.8%
Administrative expenses	80	90	-11.2%	162	179	-9.7%
Operating result	33	38	-13.5%	62	74	-16.8%
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	-1	-10		-3	-15	
Result on divestments	0	0		0	0	
Result before tax	32	28	12.4%	59	59	-0.2%
Taxation	7	8	-13.2%	15	16	-9.6%
Minority interests	0	0		0	0	
Net result	24	20	22.8%	44	43	3.3%
Key figures						
Total administrative expenses	80	90	-11.2%	162	179	-9.7%
Cost/income ratio (Administrative expenses/Operating income)	70.8%	70.3%		72.4%	70.8%	
Net inflow Assets under Management (in EUR billion)	0	-2		-3	-2	
Assets under Management ^{4 8)}	197	193	1.8%	197	193	1.8%
Fees/average Assets under Management (bps)	23	25		23	25	
Allocated equity (end of period) ⁹⁾	420	397	5.7%	420	397	5.7%
Net operating ROE ⁹⁾	24.2%	28.4%		22.8%	27.8%	
Employees (internal FTEs, end of period)	1,144	1,176	-2.7%	1,144	1,176	-2.7%

In EUR billion	2Q16	2Q15	Change	6M16	6M15	Change
AuM roll-forward						
Beginning of period	190	212	-10.2%	187	195	-4.2%
Net inflow	0	-2		-3	-2	
Acquisition / Divestments	0	0		0	0	
Market performance (incl. FX impact) and Other	7	-16		13	1	
End of period	197	193	1.8%	197	193	1.8%

Total Assets under Management (AuM) at Asset Management were EUR 197 billion at the end of the second quarter of 2016, up from EUR 190 billion at the end of the first quarter of 2016. The increase reflects a positive market impact of EUR 7.2 billion as a result of lower interest rates increasing the value of fixed income assets, partly offset by net outflows of EUR 0.5 billion. Net outflows in the Other Affiliated Business (EUR 1.3 billion) and in Third-Party assets (EUR 0.1 billion) were partly compensated by net inflows in Proprietary assets (EUR 0.9 billion).

The second quarter operating result decreased to EUR 33 million from EUR 38 million in the second quarter of 2015 due to a decrease in fees partly offset by lower expenses.

Fees were EUR 113 million, down 12.4% compared with the second quarter of 2015, reflecting the lower average AuM as well as a shift to lower margin AuM primarily due to a higher proportion of fixed income investments.

Administrative expenses were EUR 80 million, down from EUR 90 million in the second quarter of 2015. The decrease reflects lower staff-related expenses as well as lower fixed service fee expenses (with an offsetting impact in fees).

The result before tax increased to EUR 32 million in the second quarter of 2016 from EUR 28 million in the same quarter last year, as the lower operating result was more than compensated by lower special items related to rebranding expenses.

In the first six months of 2016, the operating result of Asset Management was EUR 62 million, down 16.8% from the same period in 2015. Lower average AuM as well as a shift to lower margin AuM led to lower fee income, which was only partly offset by a decrease in administrative expenses. The result before tax in the first six months of 2016 was stable at EUR 59 million, as the lower operating result was offset by lower rebranding expenses reported as special items.

Other

- Operating result improved to EUR 2 million from EUR -7 million in the second quarter of 2015, driven by a higher operating result at NN Bank
- NN Bank operating result increased to EUR 17 million from EUR 6 million in the second quarter of 2015, reflecting a higher interest margin and lower addition to loan loss provisions, partly offset by higher expenses

In EUR million	2Q16	2Q15	Change	6M16	6M15	Change
Analysis of results						
Interest on hybrids and debt	-26	-26		-51	-51	
Investment income & fees	14	16	-14.5%	28	31	-10.9%
Holding expenses	-11	-15		-25	-32	
Amortisation of intangible assets	-2	-2		-3	-3	
Holding result	-24	-26		-52	-56	
Operating result reinsurance business	9	9	-3.2%	12	13	-11.7%
Operating result NN Bank	17	6	161.7%	30	11	176.8%
Other results	1	3	-85.0%	1	5	-77.8%
Operating result	2	-7		-9	-27	
Non-operating items	0	0		-3	11	-130.9%
of which gains/losses and impairments	1	1	-9.7%	2	11	-79.6%
of which revaluations	-2	-1		-6	0	
of which market & other impacts	0	0		0	0	
Special items before tax	-5	0		-5	0	
Result on divestments	0	0		0	0	
Result before tax	-3	-7		-17	-17	
Taxation	-2	-2		-1	-4	
Minority interests	0	0		0	0	
Net result	-1	-5		-16	-12	
Key figures						
Total administrative expenses	56	53	6.1%	115	113	1.7%
of which reinsurance business	4	3	25.2%	7	6	32.1%
of which NN Bank	42	36	16.2%	82	73	12.4%
of which corporate/holding	11	14	-23.6%	25	34	-26.1%
NN Bank common equity Tier 1 ratio phased in ¹²⁾	13.9%	14.2%		13.9%	14.2%	
NN Bank BIS ratio phased in ¹²⁾	15.7%	16.4%		15.7%	16.4%	
Total assets NN Bank ⁴⁾	13	11	23.9%	13	11	23.9%
Net operating ROE NN Bank ¹³⁾	10.8%	5.1%		9.8%	4.5%	
Total provisions for insurance and investment contracts ⁴⁾	0	1	-70.2%	0	1	-70.2%
Employees (internal FTEs, end of period)	1,750	1,811	-3.3%	1,750	1,811	-3.3%

The operating result of the segment Other improved to EUR 2 million from EUR -7 million in the second quarter of 2015, reflecting a higher operating result at NN Bank.

The holding result improved to EUR -24 million from EUR -26 million in the second quarter of 2015, mainly driven by lower holding expenses which decreased to EUR 11 million from EUR 15 million in the second quarter of last year.

The operating result of the reinsurance business remained stable at EUR 9 million.

The operating result of NN Bank increased to EUR 17 million from EUR 6 million in the second quarter of 2015, reflecting a higher interest margin and a lower addition to the loan loss provision, partly offset by higher administrative expenses to support the bank's continued growth.

The result before tax of the segment Other was EUR -3 million versus EUR -7 million in the second quarter of 2015, as the higher operating result was partly offset by higher special items related to restructuring expenses in the holding company.

In the first six months of 2016, the operating result of the segment Other improved to EUR -9 million from EUR -27 million in the same period of 2015 mainly reflecting a higher operating result at NN Bank and lower holding expenses.

The operating result of NN Bank improved to EUR 30 million in the first six months of 2016 from EUR 11 million in the same period in 2015. The expansion of its mortgage and customer savings activities led to a higher interest result, partly offset by higher administrative expenses supporting the bank's growth.

The result before tax of the segment Other for the first six months of 2016 was EUR -17 million, stable compared with the first six months of 2015. The improved operating result in the first six months of 2016 was offset by lower non-operating items and higher special items reflecting restructuring expenses in the holding company.

Japan Closed Block VA

- Result before tax was EUR -28 million compared with EUR 43 million in the second quarter of 2015, reflecting negative hedge-related results due to higher market volatility
- Portfolio run-off resulted in a 7.0% decrease in the number of policies compared with the first quarter of 2016

In EUR million	2Q16	2Q15	Change	6M16	6M15	Change
Analysis of results						
Investment margin	-1	0		-1	0	
Fees and premium-based revenues	15	25	-39.6%	29	52	-43.4%
Technical margin	0	0		0	0	
Operating income non-modelled business	0	0		0	0	-93.5%
Operating income	14	25	-42.0%	28	52	-45.7%
Administrative expenses	4	5	-20.5%	8	10	-18.2%
DAC amortisation and trail commissions	2	3	-38.1%	4	6	-36.9%
Expenses	6	8	-26.5%	12	16	-24.9%
Operating result	8	16	-49.7%	16	36	-54.8%
Non-operating items	-36	27	-234.6%	-113	24	
of which gains/losses and impairments	0	0		0	0	
of which revaluations	0	0		0	0	
of which market & other impacts	-36	27	-234.6%	-113	24	
Special items before tax	0	0		0	0	
Result on divestments	0	0		0	0	
Result before tax	-28	43		-97	60	-262.6%
Taxation	-7	4	-275.9%	-23	2	
Minority interests	0	0		0	0	
Net result	-21	39	-152.6%	-74	57	-228.4%
Key figures¹⁴⁾						
Allocated equity ⁹⁾	712	1,007	-29.2%	712	1,007	-29.2%
Account value	9,064	11,610	-21.9%	9,064	11,610	-21.9%
Net Amount at Risk	1,021	76		1,021	76	
IFRS Reserves	1,335	403	231.6%	1,335	403	231.6%
Number of policies	173,806	239,510	-27.4%	173,806	239,510	-27.4%
Employees (internal FTEs, end of period)	60	103	-41.7%	60	103	-41.7%

The result before tax of Japan Closed Block VA decreased to EUR -28 million from EUR 43 million in the second quarter of 2015, reflecting negative hedge-related results due to higher market volatility. The operating result decreased to EUR 8 million from EUR 16 million in the second quarter of 2015, as fees and premium-based revenues declined due to the run-off of the portfolio.

Fees and premium-based revenues were EUR 15 million, down 45.0% from the second quarter of 2015 excluding currency effects, mainly due to a lower account value reflecting a decreasing number of policies.

Market and other impacts were EUR -36 million compared with EUR 27 million in the second quarter of 2015 reflecting a hedge-related loss of EUR 38 million due to the impact of higher global market volatility. The second quarter of 2015 also included a EUR 12 million reserve release from higher lapse assumptions of out-of-the money policies.

The Net Amount at Risk in the Japan Closed Block VA increased to EUR 1,021 million from EUR 498 million in the first quarter of 2016, primarily as a result of equity markets depreciation.

In the first six months of 2016 the result before tax decreased to EUR -97 million from EUR 60 million in the same period last year. The first six months of 2016 included a EUR 103 million hedge-related loss due to higher market volatility and a EUR 16 million technical provision increase following the refinement of lapse assumptions on the portfolio, while the first six months of 2015 benefited from a EUR 12 million reserve release from higher lapse assumptions of out-of-the-money policies.

In the first six months of 2016 the operating result was EUR 16 million compared with EUR 36 million in the same period last year, down 58.1% excluding currency impacts, mainly due to lower fees and premium-based revenues.

Consolidated Balance Sheet

- Total assets of NN Group increased by EUR 7.8 billion compared with the first quarter of 2016 to EUR 177.9 billion reflecting a further decline in interest rates as well as currency impacts
- Shareholders' equity increased by EUR 2.2 billion to EUR 25.3 billion mainly reflecting a higher debt securities revaluation reserve and cash flow hedge reserve driven by lower interest rates, partly offset by the deferred interest crediting to life policyholders

in EUR million	30 Jun 16	31 Mar 16	31 Dec 15	30 Jun 16	31 Mar 16	31 Dec 15	
Assets				Equity and liabilities			
Cash and cash equivalents	9,894	10,446	7,436	Shareholders' equity (parent)	25,254	23,099	20,469
Financial assets at fair value through profit or loss				Minority interests	10	9	9
- investments for risk of policyholders	31,623	31,954	35,154	Undated subordinated notes	986	986	986
- non-trading derivatives	7,266	6,079	4,656	Total equity	26,250	24,094	21,464
- designated as at fair value through profit or loss	1,321	595	443	Subordinated loans	2,289	2,290	2,290
Available-for-sale investments				Debt securities issued	597	597	597
- debt securities	76,678	72,933	67,553	Other borrowed funds	8,198	7,238	6,785
- equity securities	6,595	6,502	6,840	Insurance and investment contracts			
Loans	33,649	32,057	31,013	- life insurance provisions	84,325	81,154	75,827
Reinsurance contracts	258	267	236	- non-life insurance provisions	3,764	3,879	3,509
Associates and joint ventures	2,450	2,442	2,197	- provision for risk of policyholders	31,704	32,026	35,212
Real estate investments	1,802	1,592	1,564	- other	734	1,382	1,436
Property and equipment	83	82	86	Customer deposits and other funds on deposit	9,257	8,639	8,034
Intangible assets	341	342	351	Financial liabilities at fair value through profit or loss			
Deferred acquisition costs	1,696	1,584	1,531	- non-trading derivatives	2,557	2,276	1,701
Assets held for sale	985	0	0	Liabilities held for sale	726	0	0
Other assets	3,215	3,183	3,092	Other liabilities	7,455	6,483	5,297
Total assets	177,856	170,058	162,152	Total liabilities	151,606	145,964	140,688
				Total equity and liabilities	177,856	170,058	162,152

Assets

Non-trading derivatives

Non-trading derivatives increased by EUR 1.2 billion to EUR 7.3 billion, reflecting positive revaluations on interest rate swaps as interest rates declined in the second quarter of 2016.

Debt securities

Debt securities increased by EUR 3.8 billion to EUR 76.7 billion driven by EUR 2.9 billion higher market values as long-term interest rates decreased in the quarter and EUR 1.4 billion in currency impacts, mainly reflecting an appreciation of the Japanese yen. These items were partly offset by a EUR 0.9 billion transfer of the available-for-sale investments of NN Re (Ireland) Ltd. to assets held for sale.

Loans

Loans increased by EUR 1.6 billion to EUR 33.6 billion reflecting an increase in the Dutch mortgages portfolio and deposits.

Assets and Liabilities held for sale

Assets/Liabilities held for sale reflect the balance sheet items of Mandema & Partners following the announced sale and NN Re (Ireland) Ltd. which expects to sign a portfolio transfer agreement for an investment contract and the related available-for-sale investments in the second half of 2016.

Liabilities

Other borrowed funds

Other borrowed funds increased by EUR 1.0 billion reflecting the completion of a residential mortgage backed securitisation transaction (RMBS) by NN Bank during the second quarter.

Life insurance provisions

Life insurance provisions increased by EUR 3.2 billion to EUR 84.3 billion mainly due to currency effects and higher deferred profit sharing to policyholders following the increase of the debt securities revaluation reserve and cash flow hedge reserve.

Equity

Shareholders' equity increased by EUR 2.2 billion to EUR 25.3 billion at the end of the second quarter of 2016, reflecting a EUR 2.3 billion increase in the available-for-sale debt securities revaluation reserves. A EUR 0.5 billion increase in the cash flow hedge reserve and the second-quarter net result of EUR 0.3 billion also contributed to the increase in Shareholders' equity. This was partially offset by EUR 0.7 billion deferred interest crediting to life policyholders and the payment of the 2015 final dividend of EUR 0.2 billion.

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

in EUR million	2Q16	6M16	FY15
Shareholders' equity beginning of period	23,099	20,469	20,355
Net result for the period	335	605	1,565
Unrealised revaluations available-for-sale investments and other	2,287	5,218	-720
Realised gains/losses transferred to the profit and loss account	-64	-87	-345
Change in cash flow hedge reserve	464	1,426	-435
Deferred interest crediting to life policyholders	-723	-1,973	644
Share of other comprehensive income of associates and joint ventures	-1	0	9
Exchange rate differences	182	189	188
Remeasurement of the net defined benefit asset/liability	-20	-41	28
Capital contributions and change in share capital	0	0	57
Dividend	-185	-185	-251
Purchase/sale treasury shares	-76	-317	-597
Employee stock option & share plans	-10	-16	5
Coupon on undated subordinated notes	-34	-34	-34
Total changes	2,155	4,785	114
Shareholders' equity end of period	25,254	25,254	20,469

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

in EUR million	30 Jun 16	31 Mar 16	31 Dec 15
Share capital	40	40	40
Share premium	12,153	12,153	12,153
Revaluation reserve available-for-sale investments and other	7,427	5,933	4,292
Cash flow hedge reserve	5,455	4,991	4,029
Currency translation reserve	196	4	-24
Net defined benefit asset/liability remeasurement reserve	-131	-111	-90
Retained earnings and other reserves	114	89	69
Shareholders' equity (parent)	25,254	23,099	20,469
Minority interests	10	9	9
Undated subordinated notes	986	986	986
Total equity	26,250	24,094	21,464
Shareholders' equity per share in EUR	77	71	62

Capital Management

- Solvency II ratio of NN Group at 252% versus 241% at the end of the first quarter of 2016
- Free cash flow to the holding in the second quarter of 2016 was EUR 494 million, driven by dividends from almost all segments
- Cash capital position at the holding company increased to EUR 2.3 billion
- Interim dividend 2016 of EUR 0.60 per ordinary share or approximately EUR 195 million

Solvency II

in EUR million	30 Jun 16	31 Mar 16
Basic Own Funds	15,912	14,877
Non-available Own Funds	1,436	1,396
Non-eligible Own Funds	0	0
Eligible Own Funds (a)	14,476	13,480
of which Tier 1 Unrestricted	10,174	8,831
of which Tier 1 Restricted	1,983	1,912
of which Tier 2	1,039	1,062
of which Tier 3	273	757
of which non-solvency II regulated entities	1,007	918
Solvency Capital Requirements (b)	5,735	5,602
of which non-solvency II regulated entities	455	417
NN Group Solvency II ratio (a/b)¹⁾	252%	241%
NN Life Solvency II ratio¹⁾	239%	212%

The NN Group Solvency II ratio increased to 252% at the end of the second quarter of 2016 from 241% at the end of the first quarter of 2016 mainly due to a decrease of credit spreads on highly rated government bonds. This was partly offset by the deduction of the EUR 500 million share buyback programme and the 2016 interim dividend of approximately EUR 195 million.

The NN Life Solvency II ratio increased to 239% from 212% at the end of the first quarter of 2016, mainly due to the aforementioned credit spread movements, which more than offset a EUR 150 million dividend paid to the holding company.

Cash capital position at the holding company

in EUR million	2Q16	6M16
Beginning of period	2,107	1,953
Cash divestment proceeds	0	0
Dividends from subsidiaries ¹⁵⁾	532	922
Capital injections into subsidiaries ¹⁶⁾	-3	-8
Other ¹⁷⁾	-35	-16
Free cash flow to the holding¹⁸⁾	494	897
Acquisitions	0	0
Capital flow from / (to) shareholders	-263	-513
Increase / (decrease) in debt and loans	0	0
End of period	2,337	2,337

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

The cash capital position at the holding company increased to EUR 2,337 million at the end of the second quarter of 2016 from EUR 2,107 million at the end of the first quarter of 2016. This increase reflects EUR 532 million of dividends received from almost all segments, partly offset by capital flows to shareholders of EUR 263 million representing the cash part of the 2015 final dividend (EUR 185 million) and the amount of shares repurchased in the second quarter of 2016 (EUR 78 million).

Financial leverage

in EUR million	30 Jun 16	31 Mar 16	30 Jun 15
Shareholders' equity	25,254	23,099	19,602
Adjustment for revaluation reserves ¹⁹⁾	-11,715	-9,677	-6,458
Goodwill	-260	-259	-263
Minority interests	10	9	92
Capital base for financial leverage (a)	13,290	13,172	12,974
Undated subordinated notes ²⁰⁾	986	986	985
Subordinated debt	2,289	2,290	2,292
Total subordinated debt	3,275	3,276	3,277
Debt securities issued (financial leverage)	398	398	398
Financial leverage (b)	3,673	3,674	3,675
Debt securities issued (operational leverage)	199	199	199
Total debt	3,872	3,873	3,874
Financial leverage ratio (b/(a+b))	21.7%	21.8%	22.1%
Fixed-cost coverage ratio ²⁰⁾²¹⁾	12.1x	11.9x	12.9x

The financial leverage ratio of NN Group was broadly stable at 21.7% at the end of the second quarter of 2016. The capital base for financial leverage increased by EUR 118 million mainly due to the positive net result of EUR 335 million and positive currency impacts. This was partly offset by negative equity revaluations, the cash part of the 2015 final dividend (EUR 185 million) as well as the amount of shares repurchased in the second quarter of 2016 (EUR 78 million).

The fixed-cost coverage ratio was 12.1x at the end of the second quarter of 2016 (on a last 12-months basis).

Interim dividend

NN Group will pay a 2016 interim dividend of EUR 0.60 per ordinary share, or approximately EUR 195 million in total, calculated as 40% of the 2015 full year dividend per ordinary share. The 2016 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 22 August 2016. The record date for the dividend will be 23 August 2016. The election period will run from 22 August up to and including 5 September 2016. 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 30 August through 5 September 2016. The dividend will be payable on 9 September 2016. (For more information: www.nn-group.com/Investors/Dividends.htm)

Share buyback

On 26 May 2016, NN Group announced an open market share buyback programme for an amount up to EUR 500 million over a period of 12 months commencing 1 June 2016.

In addition to this share buyback programme, NN Group intends to neutralise the dilutive effect of stock dividends. Following payment of the 2015 final dividend on 28 June 2016, NN Group will repurchase ordinary shares for an amount of EUR 156 million, equivalent to the value of the stock dividend. With respect to the 2016 interim dividend, NN Group will also repurchase ordinary shares for an amount equivalent to the value of the stock dividend which is payable on 9 September 2016.

These share buybacks will be executed under the programme by financial intermediaries by 31 May 2017. Shares for an amount of EUR 78 million were repurchased in the second quarter of 2016. Up to 12 August 2016, shares for a total amount of EUR 146 million had been repurchased, representing 22% of the total share buyback amount.

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

independent bid on Euronext Amsterdam. NN Group intends to cancel all of the shares acquired under the programme.

NN Group reports on the progress of the share buyback programme on its corporate website on a weekly basis (www.nn-group.com/Investors.htm). The execution of the share buyback programme is subject to NN Group maintaining a robust capital position and overall financial flexibility. NN Group will continue to explore options for deploying excess capital for value creating corporate opportunities, in line with its dividend policy.

Share capital

On 30 June 2016, 7,808,135 NN Group treasury shares were cancelled, which were acquired as part of the sale of NN Group shares by ING Group in January 2016.

The total number of NN Group shares outstanding (net of 6,524,378 treasury shares) at 16 August 2016 was 325,240,979.

Credit ratings

On 3 June 2016, Standard & Poor's affirmed NN Group's A- credit rating with a stable outlook.

Credit ratings of NN Group N.V. at 18 August 2016	Rating	Outlook
Standard & Poor's	A-	Stable
Fitch	A	Stable

Footnotes reference page

- 1) The solvency ratios are not final until filed with the regulators. The Solvency II ratio is based on the partial internal model.
- 2) Basic earnings per ordinary share is calculated as the net result, adjusted to reflect the deduction of the accrued coupon on undated subordinated notes classified in equity, divided by the weighted average number of ordinary shares outstanding (net of treasury shares).
- 3) Excluding Mandema & Partners and Zicht broker businesses.
- 4) End of period, in EUR billion.
- 5) Four-quarter rolling average.
- 6) Net operating result of the ongoing business, adjusted to reflect the deduction of the accrued coupon on undated subordinated notes classified in equity.
- 7) Net operating ROE is calculated as the (annualised) net operating result of the ongoing business, adjusted to reflect the deduction of the accrued coupon on undated subordinated notes classified in equity, divided by (average) adjusted allocated equity of ongoing business. Adjusted allocated equity is an Alternative Performance Measure. It is derived from IFRS equity by excluding revaluation reserves and undated subordinated notes classified as equity. Reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the 30 June 2016 Condensed consolidated interim financial information.
- 8) AuM include the mortgage portfolio managed on behalf of NN Life and NN Non-life since 2Q14. The comparative figures have been restated accordingly.
- 9) Net operating ROE is calculated as the (annualised) net operating result of the segment, divided by (average) adjusted allocated equity. Adjusted allocated equity is an Alternative Performance Measure. It is derived from IFRS equity by excluding revaluation reserves and undated subordinated notes classified as equity. Reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the 30 June 2016 Condensed consolidated interim financial information.
- 10) Including Mandema & Partners and Zicht broker businesses.
- 11) 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.
- 12) The 'NN Bank common equity Tier 1 ratio phased in' and the 'NN Bank BIS ratio phased in' are not final until filed with the regulators.
- 13) Net operating ROE is calculated as the (annualised) net operating result of NN Bank, divided by (average) adjusted allocated equity. Adjusted allocated equity is an Alternative Performance Measure. It is derived from IFRS equity by excluding revaluation reserves and undated subordinated notes classified as equity. Reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the 30 June 2016 Condensed consolidated interim financial information.
- 14) End of period.
- 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 and capital transactions with shareholders and debtholders.
- 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.

NN Group Profile

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

Investor conference call and webcast

Lard Friese and Delfin Rueda will host an analyst and investor conference call to discuss the 2Q16 results at 10.00 am CET on Thursday 18 August 2016. 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 2Q16 results, which will be held at 12.00 pm CET on Thursday 18 August 2016. Journalists can join the press call at +31 (0)20 531 5863.

Financial calendar

- Publication 3Q16 results: 17 November 2016
- Publication 4Q16 results: 16 February 2017
- Publication 1Q17 results: 18 May 2017
- Annual General Meeting: 1 June 2017
- Publication 2Q17 results: 17 August 2017
- Publication 3Q17 results: 16 November 2017

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Additional information on www.nn-group.com

- NN Group 2Q16 Financial Supplement, NN Group 2Q16 Analyst Presentation and NN Group 2Q16 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 on 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 2016. All figures in this document are unaudited. Small differences are possible in the tables due to rounding.

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

Any forward-looking statements made by or on behalf of NN Group speak only as of the date they are made, and, NN Group assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason. This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities.