

**NN Group N.V.  
30 September 2018  
Condensed  
consolidated  
interim accounts**

## Condensed consolidated interim accounts contents

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## Condensed consolidated balance sheet

Amounts in millions of euros, unless stated otherwise

### Condensed consolidated balance sheet

	notes	30 September 2018	31 December 2017
<b>ASSETS</b>			
Cash and cash equivalents		8,540	9,383
<b>Financial assets at fair value through profit or loss:</b>			
– investments for risk of policyholders		32,095	33,508
– non-trading derivatives		4,385	5,116
– designated as at fair value through profit or loss		830	934
Available-for-sale investments	2	104,524	104,982
Loans	3	57,427	56,043
Reinsurance contracts	12	1,007	880
Associates and joint ventures	4	5,092	3,450
Real estate investments	5	2,368	3,582
Property and equipment		154	150
Intangible assets	6	1,739	1,841
Deferred acquisition costs		1,788	1,691
Deferred tax assets		118	125
Other assets	7	4,725	5,377
<b>Total assets</b>		<b>224,792</b>	<b>227,062</b>
<b>EQUITY</b>			
Shareholders' equity (parent)		23,014	22,718
Minority interests		269	317
Undated subordinated notes		1,764	1,764
<b>Total equity</b>	8	<b>25,047</b>	<b>24,799</b>
<b>LIABILITIES</b>			
Subordinated debt	9	2,451	2,468
Debt securities issued	10	1,989	1,988
Other borrowed funds	11	5,467	6,044
Insurance and investment contracts	12	162,201	163,639
Customer deposits and other funds on deposit		14,949	14,434
<b>Financial liabilities at fair value through profit or loss:</b>			
– non-trading derivatives		2,458	2,305
Deferred tax liabilities		1,740	1,830
Other liabilities	13	8,490	9,555
<b>Total liabilities</b>		<b>199,745</b>	<b>202,263</b>
<b>Total equity and liabilities</b>		<b>224,792</b>	<b>227,062</b>

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

## Condensed consolidated profit and loss account

### Condensed consolidated profit and loss account

notes	1 July to 30 September 2018	1 July to 30 September 2017	1 January to 30 September 2018	1 January to 30 September 2017
Gross premium income	2,950	2,927	10,393	9,271
Investment income	1,460	1,485	3,993	3,697
Result on disposals of group companies	56		60	-179
– gross fee and commission income	271	295	830	835
– fee and commission expenses	-81	-100	-257	-285
<b>Net fee and commission income:</b>	<b>190</b>	<b>195</b>	<b>573</b>	<b>550</b>
Valuation results on non-trading derivatives	-200	-9	-103	-310
Foreign currency results and net trading income	42	-70	-13	-101
Share of result from associates and joint ventures	173	66	366	247
Other income	2	28	33	54
<b>Total income</b>	<b>4,673</b>	<b>4,622</b>	<b>15,302</b>	<b>13,229</b>
– gross underwriting expenditure	3,425	4,117	11,451	11,139
– investment result for risk of policyholders	-423	-1,076	-420	-1,728
– reinsurance recoveries	-42	-73	-128	-129
<b>Underwriting expenditure:</b>	<b>2,960</b>	<b>2,968</b>	<b>10,903</b>	<b>9,282</b>
Intangible amortisation and other impairments	33	35	100	73
Staff expenses	370	396	1,130	1,107
Interest expenses	117	91	358	322
Other operating expenses	240	234	770	665
<b>Total expenses</b>	<b>3,720</b>	<b>3,724</b>	<b>13,261</b>	<b>11,449</b>
<b>Result before tax</b>	<b>953</b>	<b>898</b>	<b>2,041</b>	<b>1,780</b>
Taxation	160	160	382	360
<b>Net result</b>	<b>793</b>	<b>738</b>	<b>1,659</b>	<b>1,420</b>

### Net result

	1 July to 30 September 2018	1 July to 30 September 2017	1 January to 30 September 2018	1 January to 30 September 2017
Net result attributable to:				
Shareholders of the parent	788	734	1,650	1,410
Minority interests	5	4	9	10
<b>Net result</b>	<b>793</b>	<b>738</b>	<b>1,659</b>	<b>1,420</b>

**Condensed consolidated profit and loss account** Continued**Earnings per ordinary share**

amounts in euros	1 July to 30 September 2018	1 July to 30 September 2017	1 January to 30 September 2018	1 January to 30 September 2017
<b>Earnings per ordinary share:</b>				
Basic earnings per ordinary share	2.29	2.14	4.79	4.16
Diluted earnings per ordinary share	2.29	2.13	4.78	4.16

Reference is made to Note 17 'Earnings per ordinary share' for the disclosure on the Earnings per ordinary share.

## Condensed consolidated statement of comprehensive income

### Condensed consolidated statement of comprehensive income

	1 July to 30 September 2018	1 July to 30 September 2017	1 January to 30 September 2018	1 January to 30 September 2017
<b>Net result</b>	<b>793</b>	<b>738</b>	<b>1,659</b>	<b>1,420</b>
- unrealised revaluations available-for-sale investments and other	-797	242	-490	-783
- realised gains/losses transferred to the profit and loss account	-354	-339	-666	-575
- changes in cash flow hedge reserve	-332	-228	-125	-1,171
- deferred interest credited to policyholders	359	61	384	751
- share of other comprehensive income of associates and joint ventures	2			1
- exchange rate differences	-40	-71	1	-140
<b>Items that may be reclassified subsequently to the profit and loss account:</b>	<b>-1,162</b>	<b>-335</b>	<b>-896</b>	<b>-1,917</b>
- remeasurement of the net defined benefit asset/liability	8	-2	7	9
- unrealised revaluations property in own use			5	
<b>Items that will not be reclassified to the profit and loss account:</b>	<b>8</b>	<b>-2</b>	<b>12</b>	<b>9</b>
<b>Total other comprehensive income</b>	<b>-1,154</b>	<b>-337</b>	<b>-884</b>	<b>-1,908</b>
<b>Total comprehensive income</b>	<b>-361</b>	<b>401</b>	<b>775</b>	<b>-488</b>
Comprehensive income attributable to:				
Shareholders of the parent	-363	391	771	-504
Minority interests	2	10	4	16
<b>Total comprehensive income</b>	<b>-361</b>	<b>401</b>	<b>775</b>	<b>-488</b>

## Condensed consolidated statement of cash flows

### Condensed consolidated statement of cash flows

	notes	1 January to 30 September 2018	1 January to 30 September 2017
<b>Result before tax</b>		2,041	1,780
<b>Adjusted for:</b>			
– depreciation and amortisation		146	103
– deferred acquisition costs and value of business acquired		-73	-109
– underwriting expenditure (change in insurance liabilities)		-1,407	-3,122
– other		-1,196	-323
Taxation paid		-5	-111
<b>Changes in:</b>			
– non-trading derivatives		513	-48
– other financial assets at fair value through profit or loss		-137	69
– loans		-1,548	-2,736
– other assets		837	503
– customer deposits and other funds on deposit		474	558
– financial liabilities at fair value through profit or loss – non-trading derivatives		-165	-406
– other liabilities		-892	-1,268
<b>Net cash flow from operating activities</b>		<b>-1,412</b>	<b>-5,110</b>
<b>Investments and advances:</b>			
– group companies, net of cash acquired		-5	907
– available-for-sale investments	2	-9,923	-7,452
– associates and joint ventures	4	-235	-498
– real estate investments		-115	-199
– property and equipment		-41	-14
– investments for risk of policyholders		-5,353	-5,243
– other investments		-226	-35
<b>Disposals and redemptions:</b>			
– group companies			26
– available-for-sale investments	2	9,618	8,838
– associates and joint ventures	4	78	347
– real estate investments		491	89
– property and equipment		3	1
– investments for risk of policyholders		7,362	10,146
– other investments		1	200
<b>Net cash flow from investing activities</b>		<b>1,655</b>	<b>7,113</b>
Proceeds from subordinated debt		2	836
Repayments of subordinated debt			-1,300
Proceeds from debt securities issued			1,388
Proceeds from other borrowed funds		1,295	2,179
Repayments of other borrowed funds		-1,860	-3,301
Dividend paid	8	-384	-351
Purchase/sale of treasury shares	8	-84	-224
Coupon on undated subordinated notes		-78	-78
<b>Net cash flow from financing activities</b>		<b>-1,109</b>	<b>-851</b>
<b>Net cash flow</b>		<b>-866</b>	<b>1,152</b>

**Condensed consolidated statement of cash flows** Continued**Included in Net cash flow from operating activities**

	1 January to 30 September 2018	1 January to 30 September 2017
Interest received	3,225	2,972
Interest paid	-386	-346
Dividend received	519	336

**Cash and cash equivalents**

	1 January to 30 September 2018	1 January to 30 September 2017
Cash and cash equivalents at beginning of the period	9,383	8,634
Net cash flow	-866	1,152
Effect of exchange rate changes on cash and cash equivalents	23	-118
<b>Cash and cash equivalents at end of the period</b>	<b>8,540</b>	<b>9,668</b>
Cash and cash equivalents comprises the following items:		
Cash and cash equivalents	8,540	9,665
Cash and cash equivalents classified as assets held for sale		3
<b>Cash and cash equivalents at end of the period</b>	<b>8,540</b>	<b>9,668</b>



## Condensed consolidated statement of changes in equity

### Condensed consolidated statement of changes in equity (2018)

	Share capital	Share premium	Reserves	Total Share- holders' equity (parent)	Minority interest	Undated subordinated notes	Total equity
<b>Balance at 1 January 2018</b>	<b>41</b>	<b>12,572</b>	<b>10,105</b>	<b>22,718</b>	<b>317</b>	<b>1,764</b>	<b>24,799</b>
Unrealised revaluations available-for-sale investments and other			-485	-485	-5		-490
Realised gains/losses transferred to the profit and loss account			-666	-666			-666
Changes in cash flow hedge reserve			-125	-125			-125
Deferred interest credited to policyholders			384	384			384
Exchange rate differences			1	1			1
Remeasurement of the net defined benefit asset/liability			7	7			7
Unrealised revaluations property in own use			5	5			5
<b>Total amount recognised directly in equity (Other comprehensive income)</b>	<b>0</b>	<b>0</b>	<b>-879</b>	<b>-879</b>	<b>-5</b>	<b>0</b>	<b>-884</b>
Net result for the period			1,650	1,650	9		1,659
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>771</b>	<b>771</b>	<b>4</b>	<b>0</b>	<b>775</b>
Dividend			-332	-332	-52		-384
Purchase/sale of treasury shares			-84	-84			-84
Employee stock option and share plans			-1	-1			-1
Coupon on undated subordinated notes			-58	-58			-58
<b>Balance at 30 September 2018</b>	<b>41</b>	<b>12,572</b>	<b>10,401</b>	<b>23,014</b>	<b>269</b>	<b>1,764</b>	<b>25,047</b>

## Condensed consolidated statement of changes in equity Continued

## Condensed consolidated statement of changes in equity (2017)

	Share capital	Share premium	Reserves	Total Shareholders' equity (parent)	Minority interest	Undated subordinated notes	Total equity
<b>Balance at 1 January 2017</b>	<b>40</b>	<b>12,153</b>	<b>10,502</b>	<b>22,695</b>	<b>12</b>	<b>986</b>	<b>23,693</b>
Unrealised revaluations available-for-sale investments and other			-789	-789	6		-783
Realised gains/losses transferred to the profit and loss account			-575	-575			-575
Changes in cash flow hedge reserve			-1,171	-1,171			-1,171
Deferred interest credited to policyholders			751	751			751
Share of other comprehensive income of associates and joint ventures			1	1			1
Exchange rate differences			-140	-140			-140
Remeasurement of the net defined benefit asset/liability			9	9			9
<b>Total amount recognised directly in equity (Other comprehensive income)</b>	<b>0</b>	<b>0</b>	<b>-1,914</b>	<b>-1,914</b>	<b>6</b>	<b>0</b>	<b>-1,908</b>
Net result for the period			1,410	1,410	10		1,420
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>-504</b>	<b>-504</b>	<b>16</b>	<b>0</b>	<b>-488</b>
Changes in share capital	1	419		420			420
Dividend			-317	-317	-34		-351
Purchase/sale of treasury shares			-224	-224			-224
Employee stock option and share plans			-2	-2			-2
Coupon on undated subordinated notes			-59	-59			-59
Changes in composition of the group and other changes				0	327	778	1,105
<b>Balance at 30 September 2017</b>	<b>41</b>	<b>12,572</b>	<b>9,396</b>	<b>22,009</b>	<b>321</b>	<b>1,764</b>	<b>24,094</b>

# Notes to the Condensed consolidated interim accounts

## 1 Accounting policies

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

These Condensed consolidated interim accounts of NN Group have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'. The accounting principles used to prepare these Condensed consolidated interim accounts comply with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and are consistent with those set out in the notes to the 2017 NN Group Consolidated annual accounts, except as set out below.

IFRS-EU provides a number of options in accounting policies. NN Group's accounting policies under IFRS-EU and its decision on the options available are set out in Note 1 'Accounting policies' of the 2017 NN Group Consolidated annual accounts.

Certain amounts recorded in the Condensed consolidated interim accounts reflect estimates and assumptions made by management. Actual results may differ from the estimates made. Interim results are not necessarily indicative of full-year results.

The presentation of and certain terms used in these Condensed consolidated interim accounts has been changed to provide additional and more relevant information or (for changes in comparative information) to better align with the current period presentation. The impact of these changes is explained in the relevant notes when significant.

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

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

### Acquisition of Delta Lloyd

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

### Changes in classification

#### Cash collateral

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

## 2 Available-for-sale investments

### Available-for-sale investments

	30 September 2018	31 December 2017
Equity securities:		
– shares in NN Group managed investment funds	2,299	2,362
– shares in third-party managed investment funds	1,298	2,176
– other	3,754	3,442
<b>Equity securities</b>	<b>7,351</b>	<b>7,980</b>
Debt securities	97,173	97,002
<b>Available-for-sale investments</b>	<b>104,524</b>	<b>104,982</b>

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

## Notes to the Condensed consolidated interim accounts Continued

## Total exposure to debt securities

	30 September 2018	31 December 2017
Available-for-sale investments	97,173	97,002
Loans	1,311	1,380
<b>Available-for-sale investments and loans</b>	<b>98,484</b>	<b>98,382</b>
Investments for risk of policyholders	1,117	1,291
Designated as at fair value through profit or loss	10	284
<b>Financial assets at fair value through profit or loss</b>	<b>1,127</b>	<b>1,575</b>
<b>Total exposure to debt securities</b>	<b>99,611</b>	<b>99,957</b>

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

## Debt securities by type

	Available-for-sale investments		Loans		Total	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Government bonds	68,989	70,117			68,989	70,117
Corporate bonds	16,065	15,200			16,065	15,200
Financial institution and Covered bonds	10,218	9,992			10,218	9,992
<b>Bond portfolio (excluding ABS)</b>	<b>95,272</b>	<b>95,309</b>	<b>0</b>	<b>0</b>	<b>95,272</b>	<b>95,309</b>
US RMBS	510	484			510	484
Non-US RMBS	1,227	973	1,031	1,056	2,258	2,029
CDO/CLO	12	11			12	11
Other ABS	152	225	280	324	432	549
<b>ABS portfolio</b>	<b>1,901</b>	<b>1,693</b>	<b>1,311</b>	<b>1,380</b>	<b>3,212</b>	<b>3,073</b>
<b>Debt securities – Available-for-sale investments and Loans</b>	<b>97,173</b>	<b>97,002</b>	<b>1,311</b>	<b>1,380</b>	<b>98,484</b>	<b>98,382</b>

## 3 Loans

## Loans

	30 September 2018	31 December 2017
Loans secured by mortgages	44,751	43,844
Unsecured loans	10,067	9,679
Asset-backed securities	1,311	1,380
Deposits	796	702
Policy loans	606	563
Other	56	54
<b>Loans – before loan loss provisions</b>	<b>57,587</b>	<b>56,222</b>
Loan loss provisions	-160	-179
<b>Loans</b>	<b>57,427</b>	<b>56,043</b>

## Notes to the Condensed consolidated interim accounts Continued

NN Group applies an interest rate pricing system for mortgage loans based on risk-based pricing with multiple risk premium categories, whereby the interest rate for a mortgage loan is set depending on the loan-to-valuation ("LTV") ratio. In the past, mortgage loans were eligible to move into another risk premium category only on the interest reset date. In the second quarter of 2018 a change to this pricing system was announced, under which a mortgage loan can move into another (lower) risk premium category during the fixed interest rate term if the LTV has decreased due to an increase of the value of the house and/or repayment of the mortgage loan. The amended pricing system allows for the adjustment of the mortgage interest rate by moving to a lower risk premium category automatically following (partial) repayment of the loan principal, also taking into account (p)repayments that have already been made, and/or upon request following a proven revaluation of the relevant mortgaged asset. This amended pricing system represents a modification of the outstanding mortgage loans under IFRS and the related impact on the balance sheet value of outstanding mortgage loans of EUR 59 million was recognised as a charge in the profit and loss account in the second quarter of 2018. This did not have a material impact on the capital position of NN Group.

### Changes in Loan loss provisions

	30 September 2018	31 December 2017
Loan loss provisions – opening balance	179	80
Write-offs	-1	-6
Increase in loan loss provisions	-11	100
Changes in the composition of the group and other changes	-7	5
<b>Loan loss provisions – closing balance</b>	<b>160</b>	<b>179</b>

## 4 Associates and joint ventures

### Associates and joint ventures

	Interest held	Balance sheet value	Interest held	Balance sheet value
	30 September 2018		31 December 2017	
Vesteda Residential Fund FGR	28%	1,486		
CBRE Dutch Office Fund FGR	28%	444	28%	387
CBRE Retail Property Fund Iberica L.P.	33%	268	33%	249
CBRE Dutch Retail Fund FGR	19%	224	20%	225
CBRE UK Property Fund PAIF	10%	177	10%	172
CBRE Dutch Residential Fund I FGR	10%	175	10%	161
CBRE Property Fund Central and Eastern Europe FGR	50%	172	50%	129
Parcom Investment Fund II B.V.	100%	167	100%	203
CBRE European Industrial Fund FGR	19%	135	19%	116
Lazora S.I.I. S.A.	22%	123		
Allee center Kft	50%	118	50%	114
Fiumaranuova s.r.l.	50%	101	50%	101
Dutch Student and Young Professional Housing Fund FGR	49%	95	50%	85
Parcom Investment Fund III B.V.	100%	89	100%	136
Boccaccio – Closed-end Real Estate Mutual Investment Fund	50%	88	50%	90
Achmea Dutch Health Care Property Fund	25%	83	24%	58
DPE Deutschland II B GmbH & Co KG	34%	80	34%	111
Siresa House S.L.	49%	80	49%	74
the Fizz Student Housing Fund SCS	50%	79	50%	81
CBRE Dutch Retail Fund II FGR	10%	76	10%	77
Robeco Bedrijfsleningen FGR	24%	69	24%	62
Delta Mainlog Holding GmbH & Co. KG	50%	55	50%	55
Parcom Buy Out Fund IV B.V.	100%	54	100%	93
Other		654		671
<b>Associates and joint ventures</b>		<b>5,092</b>		<b>3,450</b>

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

## Notes to the Condensed consolidated interim accounts Continued

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

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

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

Other includes EUR 460 million (2017: EUR 476 million) of associates and joint ventures with an individual balance sheet value of less than EUR 50 million and EUR 194 million (2017: EUR 195 million) of receivables from associates and joint ventures.

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

### 5 Real estate investments

The decrease in real estate investments of EUR 1,214 million was mainly due to the sale of the Dutch residential real estate portfolio to Vesteda. Reference is made to Note 4 'Associates and joint ventures'.

### 6 Intangible assets

#### Intangible assets

	30 September 2018	31 December 2017
Goodwill	1,381	1,392
Software	59	53
Other	299	396
<b>Intangible assets</b>	<b>1,739</b>	<b>1,841</b>

#### Goodwill by cash generating unit (reporting unit)

	30 September 2018	31 December 2017
Delta Lloyd Netherlands Life	852	852
Delta Lloyd Netherlands Non-life	86	86
Insurance Europe	72	83
Asset Management	309	309
Bank	62	62
<b>Goodwill</b>	<b>1,381</b>	<b>1,392</b>

#### Goodwill impairment testing

Goodwill is tested for impairment at the lowest level at which it is monitored for internal management purposes. This level is defined as the cash generating unit (reporting unit). Goodwill is allocated to 'cash generating units' for the purpose of goodwill impairment testing as set out in the table above. Goodwill is tested for impairment by comparing the carrying value of the cash generating unit (reporting unit) to the best estimate of the recoverable amount of that cash generating unit (reporting unit). The carrying value is determined as the IFRS-EU book value including goodwill and certain acquisition intangibles. The recoverable amount is estimated as the higher of fair value less cost to sell and value in use.

Delta Lloyd Life in the Netherlands is a separate cash generating unit. The goodwill allocated to Delta Lloyd Life in the Netherlands is supported by the excess of the fair value of the cash generating unit over the IFRS book value and, therefore, there is no trigger for impairment. The integration of the Delta Lloyd businesses is progressing and it is expected that Delta Lloyd Life and NN Life will eventually be fully integrated, including a merger of the legal entities. Currently Delta Lloyd Life and NN Life are separate cash generating units for goodwill impairment testing. If and when the integration is further advanced, the two businesses will likely be combined into one cash generating unit for the segment Netherlands Life. The fair value of the combined segment Netherlands Life is currently below the IFRS book value, mainly because the IFRS book value of NN Life reflects the market value for most assets, but most insurance liabilities are recognised at locked-in assumptions. As a result, the combination of the two businesses into one cash generating unit will likely result in an impairment of the entire goodwill amount allocated to Delta Lloyd Life of EUR 852 million. Such an impairment would only impact the IFRS accounts and would not have economic or Solvency II impact.

## Notes to the Condensed consolidated interim accounts Continued

## 7 Other assets

## Other assets

	30 September 2018	31 December 2017
Insurance and reinsurance receivables	1,021	1,126
Income tax receivable	114	202
Accrued interest and rents	1,347	1,785
Other accrued assets	351	428
Net defined benefit assets		29
Cash collateral amounts paid	1,301	1,199
Other	591	608
<b>Other assets</b>	<b>4,725</b>	<b>5,377</b>

## 8 Equity

## Total equity

	30 September 2018	31 December 2017
Share capital	41	41
Share premium	12,572	12,572
Revaluation reserve	7,703	8,597
Currency translation reserve	-134	-139
Net defined benefit asset/liability remeasurement reserve	-99	-106
Other reserves	2,931	1,753
<b>Shareholders' equity (parent)</b>	<b>23,014</b>	<b>22,718</b>
Minority interests	269	317
Undated subordinated notes	1,764	1,764
<b>Total equity</b>	<b>25,047</b>	<b>24,799</b>

## Changes in equity (2018)

30 September 2018	Share capital	Share premium	Reserves	Total shareholders' equity (parent)
Equity – opening balance	41	12,572	10,105	22,718
Total amount recognised directly in equity (Other comprehensive income)			-879	-879
Net result for the period			1,650	1,650
Dividend			-332	-332
Purchase/sale of treasury shares			-84	-84
Employee stock option and share plans			-1	-1
Coupon on undated subordinated notes			-58	-58
<b>Equity – closing balance</b>	<b>41</b>	<b>12,572</b>	<b>10,401</b>	<b>23,014</b>

## Final dividend 2017

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

## Notes to the Condensed consolidated interim accounts Continued

### Interim dividend 2018

In September 2018, NN Group paid a 2018 interim dividend of EUR 0.66 per ordinary share, or approximately EUR 222 million in total. The 2018 interim dividend was paid either in cash, after deduction of withholding tax if applicable, or ordinary shares at the election of the shareholder. As a result, an amount of EUR 127 million was distributed out of Other reserves (cash dividend) and 2,566,901 ordinary shares, with a par value of EUR 0.12 per share, were issued (EUR 95 million stock dividend). To neutralise the dilutive effect of the interim stock dividend, NN Group will repurchase ordinary shares for an amount equivalent to the stock dividend.

### Purchase/sale of treasury shares (2018)

During the first nine months of 2018, 2,461,104 ordinary shares for a total amount of EUR 90 million were repurchased under the open market share buyback programme to neutralise the dilutive effect of stock dividends. Treasury shares for a total amount of EUR 6 million were delivered under Employee share plans. In April 2018, 6,176,884 NN Group treasury shares were cancelled. As at 30 September 2018, 2,647,845 treasury shares were held by NN Group.

### Coupon on undated subordinated notes (2018)

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

### Changes in equity (2017)

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

### Purchase/sale of treasury shares (2017)

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

### Issue of ordinary shares (2017)

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

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

### Coupon on undated subordinated notes (2017)

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

### Interim dividend 2017

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

### Minority interest

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

At 30 September 2018, the minority interest relating to ABN AMRO Verzekeringen recognised in equity was EUR 255 million (at 31 December 2017: EUR 302 million).



**Notes to the Condensed consolidated interim accounts** Continued**Summarised information ABN AMRO Verzekeringen<sup>1</sup>**

	30 September 2018	31 December 2017 <sup>2</sup>	30 September 2017 <sup>2</sup>
Total assets	5,119	5,449	5,511
Total liabilities	4,598	4,832	4,880
Total income	422	422	280
Total expenses	400	383	259
Net result recognised in period	17	31	16
Dividends paid	107	108	71

1. All on 100% basis.

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

**9 Subordinated debt****Issuance (2017)**

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

**Repayment of Subordinated debt (2017)**

In January 2017, NN Group redeemed all three perpetual subordinated hybrid loans with variable coupons for a total amount of EUR 823 million. In May 2017, NN Group redeemed the outstanding aggregate principal amount of EUR 476 million of the 6.375% Fixed to Floating Rate Subordinated Notes due 2027.

**10 Debt securities issued****Issuance (2017)**

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

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

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

**11 Other borrowed funds**

In September 2018, NN Bank issued a EUR 500 million 10-year bond under its Conditional Pass-Through Covered Bond Programme, backed by Dutch prime residential mortgage loans.

## Notes to the Condensed consolidated interim accounts Continued

## 12 Insurance and investment contracts, reinsurance contracts

## Insurance and investment contracts, reinsurance contracts

	Liabilities net of reinsurance		Reinsurance contracts		Insurance and investment contracts	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Life insurance liabilities excluding liabilities for risk of policyholders	122,373	122,838	677	621	123,050	123,459
Liabilities for life insurance for risk of policyholders	30,783	32,308	44	45	30,827	32,353
Investment contract with discretionary participation features for risk of policyholders	233	218			233	218
<b>Life insurance liabilities</b>	<b>153,389</b>	<b>155,364</b>	<b>721</b>	<b>666</b>	<b>154,110</b>	<b>156,030</b>
Liabilities for unearned premiums and unexpired risks	635	473	29	10	664	483
Claims liabilities	5,210	5,085	257	204	5,467	5,289
<b>Insurance liabilities and investment contracts with discretionary participation features</b>	<b>159,234</b>	<b>160,922</b>	<b>1,007</b>	<b>880</b>	<b>160,241</b>	<b>161,802</b>
Investment contracts liabilities	1,960	1,837			1,960	1,837
<b>Insurance and investment contracts, reinsurance contracts</b>	<b>161,194</b>	<b>162,759</b>	<b>1,007</b>	<b>880</b>	<b>162,201</b>	<b>163,639</b>

The liabilities for insurance and investment contracts are presented gross in the balance sheet as 'Insurance and investment contracts'. The related reinsurance is presented as 'Reinsurance contracts' under Assets in the balance sheet.

## 13 Other liabilities

## Other liabilities

	30 September 2018	31 December 2017
Income tax payable	22	30
Net defined benefit liability	127	165
Other post-employment benefits	22	23
Other staff-related liabilities	107	128
Other taxation and social security contributions	107	115
Deposits from reinsurers	364	385
Accrued interest	208	491
Costs payable	538	428
Amounts payable to policyholders	829	879
Provisions	286	319
Amounts to be settled	2,002	2,140
Cash collateral amounts received	3,062	3,696
Other	816	756
<b>Other liabilities</b>	<b>8,490</b>	<b>9,555</b>

## Notes to the Condensed consolidated interim accounts Continued

## 14 Investment income

## Investment income

	1 July to 30 September 2018	1 July to 30 September 2017	1 January to 30 September 2018	1 January to 30 September 2017
Interest income from investments in debt securities	461	507	1,369	1,379
<b>Interest income from loans:</b>				
– unsecured loans	48	25	156	123
– mortgage loans	310	355	899	959
– policy loans	2	2	8	6
– other	2	13	34	51
<b>Interest income from investments in debt securities and loans</b>	<b>823</b>	<b>902</b>	<b>2,466</b>	<b>2,518</b>
Realised gains/losses on disposal of available-for-sale debt securities	432	433	567	555
Impairments of available-for-sale debt securities				-9
Reversal of impairments of available-for-sale debt securities		-1		
<b>Realised gains/losses and impairments of available-for-sale debt securities</b>	<b>432</b>	<b>432</b>	<b>567</b>	<b>546</b>
Realised gains/losses on disposal of available-for-sale equity securities	29	47	295	228
Impairments of available-for-sale equity securities	-3	-15	-37	-31
<b>Realised gains/losses and impairments of available-for-sale equity securities</b>	<b>26</b>	<b>32</b>	<b>258</b>	<b>197</b>
Interest income on non-trading derivatives	76	15	167	21
Increase in loan loss provisions	2	-33	11	-30
Income from real estate investments	23	38	102	102
Dividend income	66	59	232	224
Change in fair value of real estate investments	12	40	190	119
<b>Investment income</b>	<b>1,460</b>	<b>1,485</b>	<b>3,993</b>	<b>3,697</b>

## Impairments on investments by segment

	1 July to 30 September 2018	1 July to 30 September 2017	1 January to 30 September 2018	1 January to 30 September 2017
Netherlands Life	-3	-14	-35	-37
Netherlands Non-life		-1	1	-1
Insurance Europe			-3	-1
Other		-1		-1
<b>Impairments</b>	<b>-3</b>	<b>-16</b>	<b>-37</b>	<b>-40</b>

## 15 Underwriting expenditure

## Underwriting expenditure

	1 July to 30 September 2018	1 July to 30 September 2017	1 January to 30 September 2018	1 January to 30 September 2017
<b>Gross underwriting expenditure:</b>				
– before effect of investment result for risk of policyholders	3,002	3,041	11,031	9,411
– effect of investment result for risk of policyholders	423	1,076	420	1,728
<b>Gross underwriting expenditure</b>	<b>3,425</b>	<b>4,117</b>	<b>11,451</b>	<b>11,139</b>
Investment result for risk of policyholders	-423	-1,076	-420	-1,728
Reinsurance recoveries	-42	-73	-128	-129
<b>Underwriting expenditure</b>	<b>2,960</b>	<b>2,968</b>	<b>10,903</b>	<b>9,282</b>

## Notes to the Condensed consolidated interim accounts Continued

The investment income and valuation results regarding investments for risk of policyholders is EUR 420 million (2017: EUR 1,728 million). This amount is recognised in 'Underwriting expenditure'. As a result, it is shown together with the equal amount of related change in insurance liabilities for risk of policyholders.

### Underwriting expenditure by class

	1 July to 30 September 2018	1 July to 30 September 2017	1 January to 30 September 2018	1 January to 30 September 2017
<b>Expenditure from life underwriting:</b>				
– reinsurance and retrocession premiums	69	51	209	152
– gross benefits	3,277	3,791	10,021	10,388
– reinsurance recoveries	-28	-37	-89	-80
– change in life insurance liabilities	-1,007	-1,490	-2,110	-3,524
– costs of acquiring insurance business	118	121	358	384
– other underwriting expenditure	39	28	125	79
– profit sharing and rebates	13	11	38	30
<b>Expenditure from life underwriting</b>	<b>2,481</b>	<b>2,475</b>	<b>8,552</b>	<b>7,429</b>
<b>Expenditure from non-life underwriting:</b>				
– reinsurance and retrocession premiums	19	51	175	94
– gross claims	491	481	1,502	1,288
– reinsurance recoveries	-14	-36	-39	-49
– changes in the liabilities for unearned premiums	-171	-153	184	146
– changes in claims liabilities	8	49	124	93
– costs of acquiring insurance business	142	109	408	286
– other underwriting expenditure	-3	-4	-12	-9
<b>Expenditure from non-life underwriting</b>	<b>472</b>	<b>497</b>	<b>2,342</b>	<b>1,849</b>
<b>Expenditure from investment contracts:</b>				
– other changes in investment contract liabilities	7	-4	9	4
<b>Expenditure from investment contracts</b>	<b>7</b>	<b>-4</b>	<b>9</b>	<b>4</b>
<b>Underwriting expenditure</b>	<b>2,960</b>	<b>2,968</b>	<b>10,903</b>	<b>9,282</b>

## 16 Staff expenses

### Staff expenses

	1 July to 30 September 2018	1 July to 30 September 2017	1 January to 30 September 2018	1 January to 30 September 2017
Salaries	200	213	602	586
Variable salaries	21	26	61	72
Pension costs	34	36	94	103
Social security costs	29	33	96	91
Share-based compensation arrangements	2	5	10	14
External staff costs	74	70	219	186
Education	5	5	13	14
Other staff costs	5	8	35	41
<b>Staff expenses</b>	<b>370</b>	<b>396</b>	<b>1,130</b>	<b>1,107</b>

## Notes to the Condensed consolidated interim accounts Continued

## 17 Earnings per ordinary share

Earnings per ordinary share shows earnings per share amounts for profit or loss attributable to shareholders of the parent. Earnings per ordinary share is calculated on the basis of the weighted average number of ordinary shares outstanding. In calculating the weighted average number of ordinary shares outstanding, own shares held by group companies are deducted from the total number of ordinary shares in issue.

## Earnings per ordinary share

	Amount (in millions of euros)		Weighted average number of ordinary shares (in millions)		Per ordinary share (in euros)	
	1 July to 30 September 2018	1 July to 30 September 2017	1 July to 30 September 2018	1 July to 30 September 2017	1 July to 30 September 2018	1 July to 30 September 2017
	Net result	788	734			
Coupon on undated subordinated notes	-14	-15				
<b>Basic earnings per ordinary share</b>	<b>774</b>	<b>719</b>	<b>337.4</b>	<b>337.0</b>	<b>2.29</b>	<b>2.14</b>
Dilutive instruments:						
- Warrants			0.0	0.0		
- Share plans			0.6	0.6		
<b>Dilutive instruments</b>			<b>0.6</b>	<b>0.6</b>		
<b>Diluted earnings per ordinary share</b>	<b>774</b>	<b>719</b>	<b>338.0</b>	<b>337.6</b>	<b>2.29</b>	<b>2.13</b>

## Earnings per ordinary share

	Amount (in millions of euros)		Weighted average number of ordinary shares (in millions)		Per ordinary share (in euros)	
	1 January to 30 September 2018	1 January to 30 September 2017	1 January to 30 September 2018	1 January to 30 September 2017	1 January to 30 September 2018	1 January to 30 September 2017
	Net result	1,650	1,410			
Coupon on undated subordinated notes	-44	-38				
<b>Basic earnings per ordinary share</b>	<b>1,606</b>	<b>1,372</b>	<b>335.4</b>	<b>329.6</b>	<b>4.79</b>	<b>4.16</b>
Dilutive instruments:						
- Warrants			0.0	0.0		
- Share plans			0.6	0.6		
<b>Dilutive instruments</b>			<b>0.6</b>	<b>0.6</b>		
<b>Diluted earnings per ordinary share</b>	<b>1,606</b>	<b>1,372</b>	<b>336.0</b>	<b>330.2</b>	<b>4.78</b>	<b>4.16</b>

Diluted earnings per share is calculated as if the share plans and warrants outstanding at the end of the period had been exercised at the beginning of the period and assuming that the cash received from exercised share plans and warrants was used to buy own shares against the average market price during the period. The net increase in the number of shares resulting from exercising share plans and warrants is added to the average number of shares used for the calculation of diluted earnings per share.

## Notes to the Condensed consolidated interim accounts Continued

### 18 Segments

The reporting segments for NN Group, based on the internal reporting structure, are as follows:

- Netherlands Life (Group life and individual life insurance products in the Netherlands)
- Netherlands Non-life (Non-life insurance in the Netherlands including disability and accident, fire, motor and transport insurance)
- Insurance Europe (Life insurance, pension products and to a small extent non-life insurance and retirement services in Central and Rest of Europe)
- Japan Life (Life insurance primarily Corporate Owned Life Insurance (COLI) business)
- Asset Management (Asset management activities)
- Other (Operating segments that have been aggregated due to their respective size; including banking activities in the Netherlands, reinsurance and items related to capital management and the head office)
- Japan Closed Block VA (Closed block single premium variable annuity individual life insurance portfolio in Japan, including the internally reinsured minimum guarantee risk, which has been closed to new business and which is being managed in run-off)

The Executive Board and the Management Board set the performance targets and approve and monitor the budgets prepared by the reporting segments. The segments formulate strategic, commercial and financial policies in conformity with the strategy and performance targets set by the Executive Board and the Management Board.

The accounting policies of the segments are the same as those described in Note 1 'Accounting policies'. Transfer prices for inter-segment transactions are set at arm's length. Corporate expenses are allocated to segments based on time spent by head office personnel, the relative number of staff, or on the basis of income and/or assets of the segment. Intercompany loans that qualify as equity instruments under IFRS-EU are presented in the segment reporting as debt; related coupon payments are presented as income and expenses in the respective segments.

Operating result (before tax) is used by NN Group to evaluate the financial performance of its segments. Each segment's operating result is calculated by adjusting the reported result before tax for the following items:

- Non-operating items: related to (general account) investments that are held for own risk (net of policyholder profit sharing):
  - Capital gains/losses and impairments: realised gains and losses as well as impairments on financial assets that are classified as Available-for-sale and debt securities that are classified as loans. These investments include debt and equity securities (including fixed income and equity funds), private equity (< 20% ownership), real estate funds and loans quoted in active markets.
  - Revaluations: revaluations on assets marked-to-market through the Consolidated profit and loss account. These investments include private equity (associates), real estate (property and associates), derivatives unrelated to product hedging programmes (i.e. interest rate swaps, foreign exchange hedges) and direct equity hedges.
  - Market & other impacts: these impacts mainly comprise the change in the liability for guarantees on unit-linked and separate account pension contracts (both net of hedging) in the Netherlands, the equity related and other deferred acquisition costs unlocking for Japan Closed Block VA as well as the accounting volatility related to the reinsurance of minimum guaranteed benefits of Japan Closed Block VA.
- Result on divestments: result before tax related to divested operations.
- Special items before tax: items of income or expenses that are significant and arise from events or transactions that are clearly distinct from the ordinary business activities and therefore are not expected to recur frequently or regularly. This includes restructuring expenses, rebranding costs, goodwill impairments, results related to early redemption of debt and gains/losses from employee pension plan amendments or curtailments.

The operating result for the life insurance business is analysed through a margin analysis, which includes the investment margin, fees and premium-based revenues and the technical margin. Disclosures on comparative years also reflect the impact of current year's divestments. Operating result as presented below is an Alternative Performance Measure (non-GAAP financial measure) and is not a measure of financial performance under IFRS-EU. Because it is not determined in accordance with IFRS-EU, operating result as presented by NN Group may not be comparable to other similarly titled measures of performance of other companies. The net result on transactions between segments is eliminated in the net result of the relevant segment.

## Notes to the Condensed consolidated interim accounts Continued

## Segments (2018)

1 July to 30 September 2018	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Asset Management	Other	Japan Closed Block VA	Total
Investment margin	215		17	-1			-1	229
Fees and premium-based revenues	102		171	157	129		5	565
Technical margin	44		59					103
<b>Operating income</b>	<b>361</b>	<b>0</b>	<b>247</b>	<b>156</b>	<b>128</b>	<b>0</b>	<b>5</b>	<b>897</b>
Administrative expenses	117		101	35	86		2	341
DAC amortisation and trail commissions	9		80	76			1	165
<b>Expenses</b>	<b>125</b>	<b>0</b>	<b>181</b>	<b>111</b>	<b>86</b>	<b>0</b>	<b>3</b>	<b>506</b>
Non-life operating result		46	-1					46
Operating result other						28		28
<b>Operating result</b>	<b>236</b>	<b>46</b>	<b>65</b>	<b>45</b>	<b>43</b>	<b>28</b>	<b>2</b>	<b>465</b>
<b>Non-operating items:</b>								
- gains/losses and impairments	453	1	3			1		457
- revaluations	-3	4	16	-3		-1		12
- market & other impacts	49					-3	6	53
Special items before tax	-19	-8	-6	-1	-1	-22		-57
Amortisation of acquisition intangibles						-33		-33
Result on divestments	56							56
<b>Result before tax</b>	<b>772</b>	<b>43</b>	<b>78</b>	<b>40</b>	<b>42</b>	<b>-30</b>	<b>8</b>	<b>953</b>
Taxation	116	9	20	14	10	-11	2	160
Minority interests	2	3						5
<b>Net result</b>	<b>654</b>	<b>30</b>	<b>59</b>	<b>26</b>	<b>32</b>	<b>-19</b>	<b>6</b>	<b>788</b>

## Notes to the Condensed consolidated interim accounts Continued

## Segments (2017)

1 July to 30 September 2017	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Asset Manage- ment	Other	Japan Closed Block VA	Total
Investment margin	179		23	-1			-1	200
Fees and premium-based revenues	103		181	154	134		9	580
Technical margin	77		50					126
Operating income non-modelled life business			1					1
<b>Operating income</b>	<b>358</b>	<b>0</b>	<b>255</b>	<b>152</b>	<b>134</b>	<b>0</b>	<b>8</b>	<b>907</b>
Administrative expenses	133		97	35	89		3	357
DAC amortisation and trail commissions	10		81	65			1	157
<b>Expenses</b>	<b>143</b>	<b>0</b>	<b>178</b>	<b>100</b>	<b>89</b>	<b>0</b>	<b>4</b>	<b>515</b>
Non-life operating result		1						1
Operating result other						41		41
<b>Operating result</b>	<b>215</b>	<b>1</b>	<b>77</b>	<b>52</b>	<b>45</b>	<b>41</b>	<b>4</b>	<b>434</b>
Non-operating items:								
- gains/losses and impairments	439	1	-12			5		433
- revaluations	77	4	5	-3		6		89
- market & other impacts	22		-2				-1	19
Special items before tax	-8	-3	-3		-2	-29		-45
Amortisation of acquisition intangibles						-33		-33
<b>Result before tax</b>	<b>745</b>	<b>2</b>	<b>64</b>	<b>49</b>	<b>43</b>	<b>-9</b>	<b>3</b>	<b>898</b>
Taxation	129	-3	18	14	9	-9	1	160
Minority interests	2	2						4
<b>Net result</b>	<b>614</b>	<b>3</b>	<b>46</b>	<b>35</b>	<b>34</b>	<b>0</b>	<b>2</b>	<b>734</b>



## Notes to the Condensed consolidated interim accounts Continued

## Segments (2018)

1 January to 30 September	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Asset Manage- ment	Other	Japan Closed Block VA	Total
Investment margin	688		63	-7	-1		-2	742
Fees and premium-based revenues	338		526	475	385		19	1,742
Technical margin	144		160	-2				302
Operating income non-modelled life business			1					1
<b>Operating income</b>	<b>1,171</b>	<b>0</b>	<b>750</b>	<b>466</b>	<b>384</b>	<b>0</b>	<b>17</b>	<b>2,788</b>
Administrative expenses	361		299	100	259		7	1,026
DAC amortisation and trail commissions	29		247	229			2	507
<b>Expenses</b>	<b>390</b>	<b>0</b>	<b>546</b>	<b>328</b>	<b>259</b>	<b>0</b>	<b>9</b>	<b>1,533</b>
Non-life operating result		54	-4					50
Operating result other						-13		-13
<b>Operating result</b>	<b>780</b>	<b>54</b>	<b>200</b>	<b>138</b>	<b>125</b>	<b>-13</b>	<b>8</b>	<b>1,291</b>
<b>Non-operating items:</b>								
- gains/losses and impairments	799	11	14	-3		7		828
- revaluations	206	6	21	-14		-4		216
- market & other impacts	-19	-1	-5			-12	5	-33
Special items before tax	-46	-60	-19	-2	-17	-79		-222
Amortisation of acquisition intangibles						-99		-99
Result on divestments	56					4		60
<b>Result before tax</b>	<b>1,776</b>	<b>11</b>	<b>210</b>	<b>119</b>	<b>108</b>	<b>-196</b>	<b>12</b>	<b>2,041</b>
Taxation	323	-1	49	34	25	-50	3	382
Minority interests	5	3						9
<b>Net result</b>	<b>1,449</b>	<b>9</b>	<b>161</b>	<b>86</b>	<b>83</b>	<b>-146</b>	<b>9</b>	<b>1,650</b>

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

The result on divestments of EUR 56 million in the third quarter of 2018 reflects the recognition of an additional divestment result (before tax) related to the sale of NN Group's former insurance subsidiary ING Life Korea.

## Notes to the Condensed consolidated interim accounts Continued

## Segments (2017)

1 January to 30 September	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Asset Manage- ment	Other	Japan Closed Block VA	Total
Investment margin	631		62	-5			-2	685
Fees and premium-based revenues	319		503	482	387		32	1,722
Technical margin	174		143	14				332
Operating income non-modelled life business			2					2
<b>Operating income</b>	<b>1,124</b>	<b>0</b>	<b>710</b>	<b>491</b>	<b>387</b>	<b>0</b>	<b>30</b>	<b>2,742</b>
Administrative expenses	366		278	103	271		9	1,028
DAC amortisation and trail commissions	32		240	213			4	489
<b>Expenses</b>	<b>398</b>	<b>0</b>	<b>518</b>	<b>316</b>	<b>271</b>	<b>0</b>	<b>13</b>	<b>1,517</b>
Non-life operating result		5						5
Operating result other						29		29
<b>Operating result</b>	<b>726</b>	<b>5</b>	<b>192</b>	<b>175</b>	<b>115</b>	<b>29</b>	<b>17</b>	<b>1,258</b>
Non-operating items:								
- gains/losses and impairments	630	5	28	8		38		709
- revaluations	153	15	15	-15		6		174
- market & other impacts	39		-2				-23	14
Special items before tax	-30	-5	-11		-7	-78		-132
Amortisation of acquisition intangibles						-66		-66
Result on divestments						-178		-178
<b>Result before tax</b>	<b>1,517</b>	<b>20</b>	<b>222</b>	<b>167</b>	<b>108</b>	<b>-249</b>	<b>-6</b>	<b>1,780</b>
Taxation	268		44	47	26	-24	-1	360
Minority interests	6	4						10
<b>Net result</b>	<b>1,243</b>	<b>16</b>	<b>179</b>	<b>120</b>	<b>82</b>	<b>-225</b>	<b>-5</b>	<b>1,410</b>

Special items in 2017 related to the acquisition of Delta Lloyd, as well as restructuring expenses.

## 19 Taxation

## Taxation on components of other comprehensive income

	1 July to 30 September 2018	1 July to 30 September 2017	1 January to 30 September 2018	1 January to 30 September 2017
Unrealised revaluations property in own use			-2	
Unrealised revaluations available-for-sale investments and other	289	-55	255	463
Realised gains/losses transferred to the profit and loss account	104	125	159	168
Changes in cash flow hedge reserve	109	76	42	391
Deferred interest credited to policyholders	-120	-21	-122	-264
Remeasurement of the net defined benefit asset/liability	-2	1	-2	-3
<b>Income tax</b>	<b>380</b>	<b>126</b>	<b>330</b>	<b>755</b>

## Notes to the Condensed consolidated interim accounts Continued

**20 Fair value of financial assets and liabilities**

The following table presents the estimated fair value of NN Group's financial assets and liabilities. Certain balance sheet items are not included in the table, as they do not meet the definition of a financial asset or liability. The aggregation of the fair value presented below does not represent and should not be construed as representing the underlying value of NN Group.

**Fair value of financial assets and liabilities**

	Estimated fair value		Balance sheet value	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
<b>Financial assets</b>				
Cash and cash equivalents	8,540	9,383	8,540	9,383
<b>Financial assets at fair value through profit or loss:</b>				
– investments for risk of policyholders	32,095	33,508	32,095	33,508
– non-trading derivatives	4,385	5,116	4,385	5,116
– designated as at fair value through profit or loss	830	934	830	934
Available-for-sale investments	104,524	104,982	104,524	104,982
Loans	59,466	58,980	57,427	56,043
<b>Total financial assets</b>	<b>209,840</b>	<b>212,903</b>	<b>207,801</b>	<b>209,966</b>
<b>Financial liabilities</b>				
Subordinated debt	2,668	2,870	2,451	2,468
Debt securities issued	2,024	2,047	1,989	1,988
Other borrowed funds	5,536	6,149	5,467	6,044
Investment contracts with discretionary participation features for risk of policyholders	233	218	233	218
Investment contracts for risk of company	1,102	1,136	1,087	1,088
Investment contracts for risk of policyholders	873	749	873	749
Customer deposits and other funds on deposit	15,297	14,910	14,949	14,434
<b>Financial liabilities at fair value through profit or loss:</b>				
– non-trading derivatives	2,458	2,305	2,458	2,305
<b>Financial liabilities</b>	<b>30,191</b>	<b>30,384</b>	<b>29,507</b>	<b>29,294</b>

For the other financial assets and financial liabilities not included in the table above, including short-term receivables and payables, the carrying amount is a reasonable approximation of fair value.

The estimated fair value represents the price at which an orderly transaction to sell the financial asset or to transfer the financial liability would take place between market participants at the balance sheet date (exit price). The fair value of financial assets and liabilities is based on unadjusted quoted market prices, where available. Such quoted market prices are primarily obtained from exchange prices for listed instruments. Where an exchange price is not available market prices are obtained from independent market vendors, brokers or market makers. Because substantial trading markets do not exist for all financial instruments, various techniques have been developed to estimate the approximate fair value of financial assets and liabilities that are not actively traded. The fair value presented may not be indicative of the net realisable value. In addition, the calculation of the estimated fair value is based on market conditions at a specific point in time and may not be indicative of the future fair value.

Further information on the methods and assumptions that were used by NN Group to estimate the fair value of the financial instruments and the sensitivities for changes in these assumptions is disclosed in Note 34 'Fair value of financial assets and liabilities' of the 2017 NN Group Consolidated annual accounts.

**Financial assets and liabilities at fair value**

The fair value of the financial instruments carried at fair value was determined as follows:

## Notes to the Condensed consolidated interim accounts Continued

## Methods applied in determining the fair value of financial assets and liabilities at fair value (2018)

	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Investments for risk of policyholders	29,939	1,373	783	32,095
Non-trading derivatives	12	4,285	88	4,385
Financial assets designated as at fair value through profit or loss	720	110		830
Available-for-sale investments	69,631	33,883	1,010	104,524
<b>Financial assets</b>	<b>100,302</b>	<b>39,651</b>	<b>1,881</b>	<b>141,834</b>
<b>Financial liabilities</b>				
Investment contracts with discretionary participation features for risk of policyholders		233		233
Investment contracts (for contracts at fair value)	873			873
Non-trading derivatives	130	2,238	90	2,458
<b>Financial liabilities</b>	<b>1,003</b>	<b>2,471</b>	<b>90</b>	<b>3,564</b>

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

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

## Level 1 – (Unadjusted) Quoted prices in active markets

This category includes financial instruments whose fair value is determined directly by reference to published quotes in an active market that NN Group can access. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions with sufficient frequency and volume to provide reliable pricing information on an ongoing basis.

## Level 2 – Valuation technique supported by observable inputs

This category includes financial instruments whose fair value is determined using a valuation technique (e.g. a model), where inputs in the model are taken from an active market or are observable. If certain inputs in the model are unobservable the instrument is still classified in this category, provided that the impact of those unobservable inputs elements on the overall valuation is insignificant. Included in this category are items whose value is derived from quoted prices of similar instruments, but for which the prices are modified based on other market observable external data and items whose value is derived from quoted prices but for which there was insufficient evidence of an active market.

## Level 3 – Valuation technique supported by unobservable inputs

This category includes financial instruments whose fair value is determined using a valuation technique (e.g. a model) for which more than an insignificant part of the inputs in terms of the overall valuation are not market observable. This category also includes financial assets and liabilities whose fair value is determined by reference to price quotes but for which the market is considered inactive. An instrument is classified in its entirety as Level 3 if a significant portion of the instrument's fair value is driven by unobservable inputs. Unobservable in this context means that there is little or no current market data available from which the price at which an orderly transaction would likely occur can be derived.

## Notes to the Condensed consolidated interim accounts Continued

## Changes in Level 3 Financial assets (2018)

30 September 2018	Investments for risk of policyholders	Non-trading derivatives	Available-for-sale investments	Total
Level 3 Financial assets – opening balance	803	148	1,348	2,299
Amounts recognised in the profit and loss account	-11		91	80
Revaluations recognised in other comprehensive income (equity)			-105	-105
Purchase			70	70
Sale	-9	-20	-29	-58
Maturity/settlement			-94	-94
Other transfers and reclassifications		-40	-269	-309
Transfers out of Level 3			-3	-3
Exchange rate differences			1	1
<b>Level 3 Financial assets – closing balance</b>	<b>783</b>	<b>88</b>	<b>1,010</b>	<b>1,881</b>

## Changes in Level 3 Financial assets (2017)

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

## Transfers out of Level 3 and reclassification

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

## Changes in Level 3 Financial liabilities (2018)

30 September 2018	Non-trading derivatives
Level 3 Financial liabilities – opening balance	150
Sale	-20
Other transfers and reclassifications	-40
<b>Level 3 Financial liabilities – closing balance</b>	<b>90</b>

## Changes in Level 3 Financial liabilities (2017)

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

## Notes to the Condensed consolidated interim accounts Continued

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

30 September 2018	Held at balance sheet date	Derecognised during the period	Total
<b>Financial assets</b>			
Investments for risk of policyholders	-11		-11
Available-for-sale investments	-2	93	91
<b>Financial assets</b>	<b>-13</b>	<b>93</b>	<b>80</b>

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

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

## 21 Companies and businesses acquired and divested

## Acquisitions (announced in 2018)

## Aegon's Life Insurance business in the Czech Republic and Aegon's Life Insurance and Pension businesses in Slovakia

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

## Acquisitions (2017)

## Delta Lloyd

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

## Divestments (2017)

## NN Life Luxembourg

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

## 22 Other events

## Unit-linked products in the Netherlands

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

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

## Notes to the Condensed consolidated interim accounts Continued

## 23 Capital management

## Solvency II

	30 September 2018	31 December 2017
Basic Own Funds	18,965	17,121
Non-available Own Funds	1,482	1,339
Non-eligible Own Funds		370
<b>Eligible Own Funds to cover Solvency Capital Requirements (a)</b>	<b>17,483</b>	<b>15,412</b>
– of which Tier 1 unrestricted	11,228	8,935
– of which Tier 1 restricted	1,854	1,885
– of which Tier 2	2,377	2,420
– of which Tier 3	933	1,085
– of which non-Solvency II regulated entities	1,091	1,087
<b>Solvency Capital Requirements (b)</b>	<b>7,304</b>	<b>7,731</b>
– of which Solvency Capital Requirements calculated on the basis of consolidated data	6,809	7,231
– of which the capital requirements for investment firms, pension funds and credit institutions	229	249
– of which the capital requirements for undertakings included under the D&A method	266	251
<b>NN Group Solvency II ratio (a/b)<sup>1</sup></b>	<b>239%</b>	<b>199%</b>

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

The NN Group Solvency II ratio increased to 239% at 30 September 2018 from 199% at 31 December 2017. The increase was mainly driven by a combination of operating capital generation and positive market impacts, partly offset by the impact of a reduction in the Ultimate Forward Rate (UFR) from 4.2% to 4.05% and the deduction of the 2018 interim dividend. Market impacts were positive, reflecting the favourable impact from movements in credits spreads and positive real estate and equity revaluations.

## Authorisation of the Condensed consolidated interim accounts

The Hague, 14 November 2018

### **The Supervisory Board**

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

### **The Executive Board**

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



# Review report

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

## Introduction

We have reviewed the accompanying condensed consolidated interim accounts as at 30 September 2018 of NN Group N.V. (the Company), The Hague, as included on page 3 to 32 of this report. These condensed consolidated interim accounts comprise the condensed consolidated balance sheet as at 30 September 2018, the condensed consolidated profit and loss account and the condensed consolidated statement of comprehensive income for the three and nine-month periods ended 30 September 2018, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2018, and the notes. Management of the Company is responsible for the preparation and presentation of these condensed consolidated interim accounts in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim accounts based on our review.

## Scope

We conducted our review in accordance with Dutch law including standard 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim accounts as at 30 September 2018 are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Amstelveen, 14 November 2018

KPMG Accountants N.V.

P.A.M. de Wit RA

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Commercial register of Amsterdam, no. 52387534

## Disclaimer

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

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

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

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

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