

NN Group N.V.
30 June 2017
Condensed
consolidated
interim financial
information

Condensed consolidated interim financial information contents

Condensed consolidated interim financial information

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Interim report

Overview

Acquisition of Delta Lloyd

The Interim report of NN Group N.V. (NN Group) for the period ended on 30 June 2017 is significantly impacted by the acquisition of Delta Lloyd N.V. (Delta Lloyd) in the second quarter of 2017. Delta Lloyd is consolidated by NN Group as of the second quarter. Comparative information is not amended. Further information on the acquisition of Delta Lloyd, the acquisition accounting under IFRS and the impact on the financial information included in this interim report is included in Note 26 'Companies and businesses acquired and divested' and, where relevant, in the other notes to the Condensed consolidated interim accounts.

NN Group N.V.

Profile

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

Profit and loss account

Analysis of result

amounts in millions of euros	1 January to 30 June 2017	1 January to 30 June 2016
Netherlands Life	511	369
Netherlands Non-life	4	28
Insurance Europe	115	86
Japan Life	123	90
Asset Management	70	62
Other	-12	-9
Operating result ongoing business	810	626
Non-operating items ongoing business	379	274
of which gains/losses and impairments	276	117
of which revaluations	86	103
of which market & other impacts	17	54
Japan Closed Block VA	-8	-97
Special items before tax	-87	-46
Amortisation of acquisition intangibles	-33	
Result on divestments	-179	
Result before tax	882	758
Taxation	200	152
Minority interests	6	
Net result	676	605

Key figures

amounts in millions of euros	1 January to 30 June 2017	1 January to 30 June 2016
New sales life insurance (APE)	1,020	762
Value of new business (VNB)	170	101
Total administrative expenses	1,009	850
Net operating ROE ¹	10.9%	8.6%
Solvency II ratio at 30 June ²	196%	252%

¹ Net operating ROE is calculated as the (annualised) net operating result of the ongoing business, adjusted to reflect the deduction of the accrued coupon on undated subordinated notes classified in equity, divided by (average) adjusted allocated equity of ongoing business. Adjusted allocated equity is an Alternative Performance Measure. It is derived from IFRS equity by excluding revaluation reserves, the undated subordinated notes classified as equity as well as the goodwill and intangible assets recognised as a result of the Delta Lloyd acquisition. Reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the 2016 Consolidated Annual Accounts. As of 1 January 2017, NN Group changed its accounting policy for the Reserve Adequacy Test. The change represents a change in accounting policy under IFRS and is implemented retrospectively. The impact on previous periods is limited to the consolidated balance sheet and equity. For more details reference is made to the 31 March 2017 Condensed consolidated interim accounts.

² The solvency ratios are not final until filed with the regulators. The Solvency II ratios for NN Group are based on the partial internal model.

Interim report

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

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

Result before tax

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

Sales and Value of New Business

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

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

Net operating Return On Equity (ROE)

The net operating ROE in the first six months of 2017 increased to 10.9% from 8.6% in the same period in 2016, driven by a higher net operating result.

Interim report

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Netherlands Life

Analysis of result

amounts in millions of euros	1 January to 30 June 2017	1 January to 30 June 2016
Investment margin	452	400
Fees and premium-based revenues	216	176
Technical margin	98	30
Operating income	766	606
Administrative expenses	233	216
DAC amortisation and trail commissions	22	21
Expenses	255	237
Operating result	511	369
Non-operating items	284	257
of which gains/losses and impairments	191	96
of which revaluations	76	103
of which market & other impacts	17	58
Special items before tax	-22	-2
Result before tax	772	624
Taxation	139	120
Minority interests	4	
Net result	629	504

Key figures

amounts in millions of euros	1 January to 30 June 2017	1 January to 30 June 2016
New sales life insurance (APE)	288	196
Value of new business (VNB)	6	6
Total administrative expenses	233	216
Net operating ROE ¹	12.0%	8.7%
NN Life Solvency II ratio at 30 June ²	220%	239%
Delta Lloyd Life Solvency II ratio at 30 June ²	139%	

1 Net operating ROE is calculated as the (annualised) net operating result of the segment, divided by (average) adjusted allocated equity. Adjusted allocated equity is an Alternative Performance Measure. It is derived from IFRS equity by excluding revaluation reserves. Reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the 2016 Consolidated Annual Accounts.

2 The solvency ratios are not final until filed with the regulators. The Solvency II ratios for NN Group and NN Life are based on the partial internal model. The Solvency II ratio for Delta Lloyd Life (Delta Lloyd Levensverzekering N.V.) is based on the standard formula.

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

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

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

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

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Netherlands Non-Life

Analysis of result

amounts in millions of euros	1 January to 30 June 2017	1 January to 30 June 2016
Earned premiums	1,099	770
Investment income	60	56
Other income	1	
Operating income	1,160	827
Claims incurred, net of reinsurance	848	573
Acquisition costs	170	121
Administrative expenses	147	108
Acquisition costs and administrative expenses	317	229
Expenditure	1,165	802
Operating result insurance businesses	-5	25
Operating result health business and broker business	9	3
Total operating result	4	28
Non-operating items	16	31
of which gains/losses and impairments	4	23
of which revaluations	11	8
Special items before tax	-2	-12
Result before tax	18	47
Taxation	2	10
Minority interests	2	
Net result	13	38

Key figures

amounts in millions of euros	1 January to 30 June 2017	1 January to 30 June 2016
Gross premium income	1,441	1,052
Total administrative expenses ¹	176	139
Combined ratio ^{2,3}	103.2%	100.1%
of which Claims ratio ^{2,3}	74.4%	70.4%
of which Expense ratio ²	28.8%	29.7%
Net operating ROE ⁴	1.2%	12.6%

¹ Including health and broker businesses.

² As of 2Q 17, the calculation methodology for the combined ratio has been updated and now excludes the discount rate unwind on the D&A insurance liabilities. All comparative combined ratios have been updated to reflect this change.

³ Excluding health and broker businesses.

⁴ Net operating ROE is calculated as the (annualised) net operating result of the segment, divided by (average) adjusted allocated equity. Adjusted allocated equity is an Alternative Performance Measure. It is derived from IFRS equity by excluding revaluation reserves. Reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the 2016 Consolidated Annual Accounts.

The operating result of Netherlands Non-life decreased from EUR 28 million in the first six months of 2016 to EUR 4 million in the first six months of 2017, of which EUR -6 million related to Delta Lloyd. The decrease in the operating result excluding Delta Lloyd is mainly attributable to the impact of EUR 40 million strengthening of insurance liabilities in the Motor and Miscellaneous portfolios, while the first six months of 2016 included the impact of severe storms of EUR 28 million. The operating result in the first six months of 2017 also includes EUR 6 million private equity dividends compared with EUR 5 million in the same period in 2016.

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

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

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Insurance Europe

Analysis of result

amounts in millions of euros	1 January to 30 June 2017	1 January to 30 June 2016
Investment margin	38	34
Fees and premium-based revenues	322	271
Technical margin	93	93
Operating income non-modelled business	2	2
Operating income Life Insurance	456	399
Administrative expenses	181	157
DAC amortisation and trail commissions	159	157
Expenses Life Insurance	340	314
Operating result Life Insurance	116	86
Operating result Non-life		1
Operating result	115	86
Non-operating items	51	-7
of which gains/losses and impairments	41	-6
of which revaluations	10	2
of which market & other impacts		-3
Special items before tax	-8	-22
Result before tax	158	57
Taxation	25	14
Net result	133	43

Key figures

amounts in millions of euros	1 January to 30 June 2017	1 January to 30 June 2016
New sales life insurance (APE)	345	263
Value of new business (VNB)	72	46
Total administrative expenses (Life & Non-life)	187	163
Net operating ROE ¹	11.9%	9.6%

¹ Net operating ROE is calculated as the (annualised) net operating result of the segment, divided by (average) adjusted allocated equity. Adjusted allocated equity is an Alternative Performance Measure. It is derived from IFRS equity by excluding revaluation reserves. Reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the 2016 Consolidated Annual Accounts. As of 1 January 2017, NN Group changed its accounting policy for the Reserve Adequacy Test. The change represents a change in accounting policy under IFRS and is implemented retrospectively. The impact on previous periods is limited to the consolidated balance sheet and equity. For more details refer to the 31 March 2017 Condensed consolidated interim accounts.

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

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

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

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

Interim report

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Japan Life

Analysis of result

amounts in millions of euros	1 January to 30 June 2017	1 January to 30 June 2016
Investment margin	-4	-12
Fees and premium-based revenues	328	306
Technical margin	14	-10
Operating income	339	284
Administrative expenses	68	55
DAC amortisation and trail commissions	148	139
Expenses	216	194
Operating result	123	90
Non-operating items	-4	-3
of which gains/losses and impairments	8	1
of which revaluations	-12	-4
Special items before tax		-2
Result before tax	118	85
Taxation	33	18
Net result	85	67

Key figures

amounts in millions of euros	1 January to 30 June 2017	1 January to 30 June 2016
New sales life insurance (APE)	387	303
Value of new business (VNB)	93	49
Total administrative expenses	68	55
Net operating ROE ¹	10.8%	8.6%

¹ Net operating ROE is calculated as the (annualised) net operating result of the segment, divided by (average) adjusted allocated equity. Adjusted allocated equity is an Alternative Performance Measure. It is derived from IFRS equity by excluding revaluation reserves. Reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the 2016 Consolidated Annual Accounts. As of 2Q17, the net operating result and adjusted allocated equity used to calculate the Net operating ROE of Japan Life are adjusted for the impact of internal reinsurance ceded to NN Group's reinsurance business.

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

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

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

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

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Asset Management

Analysis of result

amounts in millions of euros	1 January to 30 June 2017	1 January to 30 June 2016
Fees	253	224
Operating income	252	224
Administrative expenses	182	162
Operating result	70	62
Special items before tax	-5	-3
Result before tax	65	59
Taxation	17	15
Net result	48	44

Key figures

amounts in millions of euros	1 January to 30 June 2017	1 January to 30 June 2016
Total administrative expenses	182	162
Assets under Management ¹	245	197
Net operating ROE ²	24.7%	22.8%

¹ End of period, in EUR billion.

² Net operating ROE is calculated as the (annualised) net operating result of the segment, divided by (average) adjusted allocated equity. Adjusted allocated equity is an Alternative Performance Measure. It is derived from IFRS equity by excluding revaluation reserves. Reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the 2016 Consolidated Annual Accounts.

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

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Other

Analysis of result

amounts in millions of euros	1 January to 30 June 2017	1 January to 30 June 2016
Interest on hybrids and debt ¹	-64	-51
Investment income and fees	34	28
Holding expenses	-54	-25
Amortisation of intangible assets	-1	-3
Holding result	-85	-52
Operating result reinsurance business	14	12
Operating result banking business	58	30
Other results	2	1
Operating result	-12	-9
Non-operating items	33	-3
of which gains/losses and impairments	33	2
of which revaluations	0	-6
Special items before tax	-49	-5
Amortisation of acquisition intangibles	-33	
Result on divestments	-179	
Result before tax	-240	-17
Taxation	-16	-1
Net result	-225	-16

¹ Does not include interest on subordinated debt classified as equity.

Key figures

amounts in millions of euros	1 January to 30 June 2017	1 January to 30 June 2016
Total administrative expenses	162	115
of which reinsurance business	7	7
of which banking business	99	82
of which corporate/holding	56	25
NN Bank common equity Tier 1 ratio phased in ¹	14.0%	13.9%
Delta Lloyd Bank common equity Tier 1 ratio phased in ¹	16.8%	
Total assets banking business ²	21	13
Net operating ROE banking business ³	18.1%	9.8%

¹ The 'common equity Tier 1 ratio phased in' is not final until filed with the regulators.

² End of period, in EUR billion.

³ Net operating ROE is calculated as the (annualised) net operating result of the banking business, divided by (average) adjusted allocated equity. Adjusted allocated equity is an Alternative Performance Measure. It is derived from IFRS equity by excluding revaluation reserves. Reference is made to the section 'Alternative Performance measures (Non-GAAP measures)' in the 2016 Consolidated Annual Accounts.

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

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

The result before tax of the segment Other decreased from EUR -17 million in the first six months of 2016 to EUR -240 million, of which EUR -3 million related to Delta Lloyd. The result before tax excluding Delta Lloyd decreased by EUR 219 million due to a provision related to ING Australia Holdings, higher special items reflecting expenses related to the acquisition and integration of Delta Lloyd and restructuring expenses, as well as amortisation of acquisition intangibles. These items were partly compensated by the EUR 20 million realised gain on Delta Lloyd shares and the rebalancing transaction, as well as a EUR 9 million gain on the sale of Mandema & Partners completed in January 2017.

Interim report

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Japan Closed Block VA

Analysis of result

amounts in millions of euros	1 January to 30 June 2017	1 January to 30 June 2016
Investment margin	-1	-1
Fees and premium-based revenues	23	29
Operating income	22	28
Administrative expenses	6	8
DAC amortisation and trail commissions	3	4
Expenses	9	12
Operating result	13	16
Non-operating items	-22	-113
of which market & other impacts	-22	-113
Result before tax	-8	-97
Taxation	-2	-23
Net result	-7	-74

Key figures ¹

amounts in millions of euros	1 January to 30 June 2017	1 January to 30 June 2016
Account value	6,546	9,064
Net Amount at Risk	180	1,021
IFRS Reserves	401	1,335
Number of policies	122,394	173,806

¹ End of period.

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

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

Interim report

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Balance sheet**Assets****Cash and cash equivalents**

Cash and cash equivalents increased by EUR 1.4 billion in the first six months of 2017 to EUR 10.0 billion. This mainly reflects, EUR 3.0 billion recognised on the acquisition of Delta Lloyd and the issuance of EUR 900 million of senior notes in May 2017, offset by the cash payment of EUR 2.1 billion for the acquisition of Delta Lloyd.

Investments for risk of policyholders

Investments for risk of policyholders increased EUR 3.8 billion to EUR 34.5 billion during the first six months of 2017 mainly reflecting EUR 10.0 billion recognised on the acquisition of Delta Lloyd, partly offset by the run-off of Japan Closed Block VA, asset transfers for a total amount of EUR 1.9 billion from the separate account to the general account at Netherlands Life and the transfer to Assets held for sale for an amount of EUR 2.4 billion as the result of the sale of NN Life Luxembourg announced in April 2017. These changes are mirrored in the Liabilities for risk of policyholders.

Debt securities

Debt securities increased by EUR 26.6 billion to EUR 99.4 billion, of which EUR 29.1 billion recognised on the acquisition of Delta Lloyd, offset by lower market values as result of the impact of higher long-term interest rates as well as currency impacts.

Loans

Loans increased by EUR 20.7 billion to EUR 54.6 billion in the first six months of 2017, reflecting EUR 19.9 billion recognised on the acquisition of Delta Lloyd as well as an increase in the Mortgages portfolio.

Intangible assets

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

Assets and Liabilities held for sale

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

Liabilities**Debt securities issued**

Debt securities issued increased following the EUR 500 million senior notes issued in January 2017, debt securities for a total amount of EUR 0.6 billion recognised on the acquisition of Delta Lloyd and EUR 900 million of senior notes issued in May 2017.

Life insurance liabilities

Life Insurance liabilities increased by EUR 39.6 billion to EUR 120.3 billion due to EUR 39.6 billion recognised on the acquisition of Delta Lloyd, the transfer of insurance liabilities from the separate account to the general account at Netherlands Life, and a higher sales volume in NN Life Japan. These items were offset by currency impacts and lower deferred interest credited to policyholders following the decrease of the debt securities revaluation reserve and cash flow hedge.

Liabilities for risk of policyholders

Liabilities for risk of policyholders increased by EUR 4.4 billion to EUR 35.2 billion for the first six months of 2017, of which EUR 9.6 billion recognised on the acquisition of Delta Lloyd, offset by the aforementioned transfers from the separate account to the general account at Netherlands Life, the transfer to assets and liabilities held for sale as the result of the sale of NN Life Luxembourg and the run-off of Japan Closed Block VA.

Customer deposits

Customer deposits increased by EUR 4.4 billion of which EUR 3.8 billion recognised on the acquisition of Delta Lloyd.

Equity

Shareholders' equity decreased by EUR 0.9 billion to EUR 21.8 billion at the end of the first half year 2017, reflecting a decrease in the available-for-sale-debt securities and cash flow hedge revaluation reserves due to higher interest rates. The decrease is partly offset by a lower deferred interest crediting to policyholders, the issue of new NN Group shares related to the acquisition of Delta Lloyd as well as the net result for the first six months of 2017.

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Capital management

Solvency II

	30 June 2017	31 December 2016
Basic Own Funds	17,089	14,660
Non-available Own Funds	1,422	1,427
Non-eligible Own Funds	376	84
Eligible Own Funds (a)	15,291	13,149
of which Tier 1 Unrestricted	8,807	8,414
of which Tier 1 Restricted	1,891	1,919
of which Tier 2	2,399	1,043
of which Tier 3	1,097	750
of which non-solvency II regulated entities	1,098	1,022
Solvency Capital Requirements (b)	7,818	5,459
of which non-solvency II regulated entities	508	460
NN Group Solvency II ratio (a/b) ¹	196%	241%

1. The solvency ratios are not final until filed with the regulators. The Solvency II ratio is based on the partial internal model.

Cash capital position at the holding company

	30 June 2017	31 December 2016
Beginning of period	2,489	1,953
Cash divestment proceeds	26	
Dividends from subsidiaries	1,115	1,611
Capital injections into subsidiaries	-552	-93
Other	-312	-169
Free cash flow to the holding	277	1,349
Acquisitions	-2,234	
Addition Delta Lloyd cash capital position	413	
Capital flow from / (to) shareholders	-339	-812
Increase / (decrease) in debt and loans	1,124	
End of period	1,731	2,489

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

Financial leverage

	30 June 2017	31 December 2016
Shareholders' equity ¹	21,824	22,695
Adjustment for revaluation reserves	-6,807	-8,763
Minority interests	313	12
Capital base for financial leverage (a) ²	15,330	13,945
Undated subordinated notes	1,764	986
Subordinated debt	2,478	2,288
Total subordinated debt	4,242	3,274
Debt securities issued (financial leverage)	2,577	398
Financial leverage (b)	6,819	3,672
Debt securities issued (operational leverage)		199
Total debt	6,819	3,871
Financial leverage ratio (b/(a+b))	30.8%	20.8%
Fixed-cost coverage ratio	12.0x	12.8x

1 As of 1 January 2017, NN Group changed its accounting policy for the Reserve Adequacy Test. The change represents a change in accounting policy under IFRS and is implemented retrospectively. The impact on previous periods is limited to the consolidated balance sheet and equity. For more details refer to the 31 March 2017 Condensed consolidated interim accounts.

2 As of 2Q17, the calculation methodology for the financial leverage ratio has been updated to better align with market practice. Goodwill is no longer deducted from the capital base for financial leverage and historical figures have been updated to reflect this change.

The calculation methodology for the financial leverage ratio has been updated to better align with market practice. Goodwill is no longer deducted from the capital base for financial leverage and historical figures have been updated to reflect this change. The financial leverage ratio of NN Group increased to 30.8% at the end of the second quarter of 2017 compared with 20.8% at the end of 2016. The amount of financial leverage increased due to the addition of EUR 750 million subordinated notes and EUR 575 million senior debt issued by Delta Lloyd N.V., and EUR 500 million subordinated notes issued by Delta Lloyd Life. In addition, NN Group issued EUR 850 million subordinated notes with a fixed coupon at 4.625% per annum and a maturity of 31 years and three senior unsecured notes for a total amount of EUR 1,400 million, consisting of EUR 500 million with a fixed coupon at 0.875% per annum and a maturity of 6 years, EUR 300 million with a fixed coupon at 0.25% per annum and a maturity of 3 years and EUR 600 million with a fixed coupon at 1.625% per annum and a maturity of 10 years. The increase of financial leverage also reflects the repayment of EUR 200 million operational leverage by NN Bank to the holding company. These items were offset by the repayment of the EUR 476 million non-qualifying subordinated notes in May. The capital base for financial leverage increased by EUR 1,385 million mainly due to the issue of new NN Group shares for a total amount of EUR 420 million related to the acquisition of Delta Lloyd, an increase in minority interests of EUR 301 million and the first half year net result of EUR 676 million.

Credit ratings

	Financial Strength Rating	Outlook
Standard & Poor's	A	Stable
Fitch	A+	Stable

Conformity statement

The Executive Board of NN Group N.V. is required to prepare the Interim report and Condensed consolidated interim accounts of NN Group N.V. in accordance with applicable Dutch law and International Financial Reporting Standards that are endorsed by the European Union (IFRS-EU).

Conformity statement pursuant to section 5:25d paragraph 2(c) of the Dutch Financial Supervision Act (Wet op het financieel toezicht)

The Executive Board of NN Group N.V. is responsible for maintaining proper accounting records, for safeguarding assets and for taking reasonable steps to prevent and detect fraud and other irregularities. It is responsible for selecting suitable accounting policies and applying them on a consistent basis, making judgements and estimates that are prudent and reasonable. It is also responsible for establishing and maintaining internal procedures which ensure that all major financial information is known to the Executive Board of NN Group N.V., so that the timeliness, completeness and correctness of the external financial reporting are assured.

As required by section 5:25d paragraph 2(c) of the Dutch Financial Supervision Act, each of the signatories hereby confirms that to the best of his knowledge:

- The NN Group N.V. Condensed consolidated interim accounts for the period ended 30 June 2017 give a true and fair view of the assets, liabilities, financial position and profit or loss of NN Group N.V. and the enterprises included in the consolidation taken as a whole.
- The NN Group N.V. interim report for the period ended 30 June 2017 includes a fair review of the information required pursuant to article 5.25d, paragraph 8 and 9 of the Dutch Financial Supervision Act regarding NN Group N.V. and the entities included in the consolidation taken as a whole.

The Hague, 16 August 2017

Lard Friese
CEO, Chair of the Executive Board

Delfin Rueda
CFO, Vice-chair of the Executive Board

Condensed consolidated balance sheet

Amounts in millions of euros, unless stated otherwise

Condensed consolidated balance sheet

	notes	30 June 2017	31 December 2016
Assets			
Cash and cash equivalents		10,022	8,634
Financial assets at fair value through profit or loss:			
– investments for risk of policyholders	3	34,506	30,711
– non-trading derivatives		5,297	4,421
– designated as at fair value through profit or loss		815	873
Available-for-sale investments	4	107,861	79,767
Loans	5	54,627	33,920
Reinsurance contracts	15	1,053	231
Associates and joint ventures	6	3,113	2,698
Real estate investments	7	3,428	2,028
Property and equipment		155	86
Intangible assets	8	1,899	342
Deferred acquisition costs		1,682	1,631
Assets held for sale	9	2,422	6
Other assets	10	4,994	3,152
Total assets		231,874	168,500
Equity			
Shareholders' equity (parent)		21,824	22,695
Minority interests		313	12
Undated subordinated notes		1,764	986
Total equity	11	23,901	23,693
Liabilities			
Subordinated debt	12	2,478	2,288
Debt securities issued	13	2,577	598
Other borrowed funds	14	7,371	7,646
Insurance and investment contracts	15	166,571	115,708
Customer deposits and other funds on deposit	16	14,572	10,224
Financial liabilities at fair value through profit or loss:			
– non-trading derivatives		2,764	2,008
Liabilities held for sale	9	2,408	2
Other liabilities	17	9,232	6,333
Total liabilities		207,973	144,807
Total equity and liabilities		231,874	168,500

Amounts for 2016 have been restated for the change in NN Group's accounting policy for the Reserve Adequacy Test. Reference is made to Note 2 'Accounting policies' for more details.

Condensed consolidated profit and loss account

Condensed consolidated profit and loss account

notes	1 April to 30 June 2017	1 April to 30 June 2016	1 January to 30 June 2017	1 January to 30 June 2016
Gross premium income	18 2,946	2,021	6,344	5,302
Investment income	19 1,260	963	2,212	1,825
Result on disposals of group companies	-188		-179	
– gross fee and commission income	304	231	539	466
– fee and commission expenses	-96	-84	-185	-169
Net fee and commission income:	208	147	354	297
Valuation results on non-trading derivatives	-303	452	-300	942
Foreign currency results and net trading income	34	-43	-31	-28
Share of result from associates and joint ventures	104	68	181	148
Other income	10		26	7
Total income	4,071	3,608	8,607	8,493
– gross underwriting expenditure	3,312	2,531	7,021	6,605
– investment result for risk of policyholders	-388	115	-652	46
– reinsurance recoveries	-36	-28	-55	-45
Underwriting expenditure:	20 2,888	2,618	6,314	6,606
Intangible amortisation and other impairments	37	1	38	15
Staff expenses	21 414	290	711	591
Interest expenses	133	92	231	182
Other operating expenses	261	181	431	341
Total expenses	3,733	3,182	7,725	7,735
Result before tax	338	426	882	758
Taxation	92	91	200	153
Net result	246	335	682	605

Amounts for 2016 have been restated for the change in NN Group's classification of interest income/expense on derivatives. Reference is made to Note 2 'Accounting policies' for more details.

Net result

	1 April to 30 June 2017	1 April to 30 June 2016	1 January to 30 June 2017	1 January to 30 June 2016
Net result attributable to:				
Shareholders of the parent	240	335	676	605
Minority interests	6		6	
Net result	246	335	682	605

Condensed consolidated profit and loss account

Continued

Earnings per ordinary share

amounts in euros	1 April to 30 June 2017	1 April to 30 June 2016	1 January to 30 June 2017	1 January to 30 June 2016
Earnings per ordinary share				
Basic earnings per ordinary share	0.69	1.01	2.00	1.81
Diluted earnings per ordinary share	0.69	1.00	2.00	1.81

Reference is made to Note 22 '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 April to 30 June 2017	1 April to 30 June 2016	1 January to 30 June 2017	1 January to 30 June 2016
Net result	246	335	682	605
- unrealised revaluations available-for-sale investments and other	47	2,285	-1,025	5,221
- realised gains/losses transferred to the profit and loss account	-127	-64	-236	-87
- changes in cash flow hedge reserve	-610	464	-943	1,426
- deferred interest credited to policyholders	177	-723	690	-1,973
- share of other comprehensive income of associates and joint ventures	1	-1	1	
- exchange rate difference	-129	183	-69	190
Items that may be reclassified subsequently to the profit and loss account:				
- remeasurement of the net defined benefit asset/liability	-641	2,144	-1,582	4,777
- unrealised revaluations property in own use	13	-20	11	-41
Items that will not be reclassified to the profit and loss account:				
	13	-21	11	-44
Total other comprehensive income	-628	2,123	-1,571	4,733
Total comprehensive income	-382	2,458	-889	5,338
Comprehensive income attributable to:				
Shareholders of the parent	-388	2,457	-895	5,337
Minority interests	6	1	6	1
Total comprehensive income	-382	2,458	-889	5,338

Condensed consolidated statement of cash flows

Condensed consolidated statement of cash flows

	notes	1 January to 30 June 2017	1 January to 30 June 2016
Result before tax		882	758
Adjusted for:			
– depreciation		57	21
– deferred acquisition costs and value of business acquired		-87	-34
– underwriting expenditure (change in insurance liabilities)		-1,617	-219
– other		-65	-949
Taxation paid		-156	-85
Changes in:			
– non-trading derivatives		-24	-134
– other financial assets at fair value through profit or loss		127	-824
– loans		-1,464	-1,005
– other assets		619	8
– customer deposits and other funds on deposit		546	1,224
– financial liabilities at fair value through profit or loss – non-trading derivatives		-394	951
– other liabilities		-105	-255
Net cash flow from operating activities		-1,681	-543
Investments and advances:			
– group companies	26	907	
– associates and joint ventures		-245	-156
– available-for-sale investments		-5,233	-5,193
– real estate investments		-110	-202
– property and equipment		-11	-11
– investments for risk of policyholders		-3,991	-3,043
– other investments		-30	-905
Disposals and redemptions:			
– group companies	26	26	
– associates and joint ventures		97	236
– available-for-sale investments		4,884	3,524
– real estate investments		4	
– investments for risk of policyholders		7,841	8,030
– other investments		453	
Net cash flow from investing activities		4,592	2,280
Proceeds from subordinated debt	12	836	
Repayments of subordinated debt	12	-1,300	
Proceeds from debt securities issued	13	1,388	
Proceeds from other borrowed funds	14	3,666	6,992
Repayments of other borrowed funds	14	-5,640	-5,527
Dividend paid		-221	-185
Purchase/sale of treasury shares	11	-145	-317
Coupon on undated subordinated notes		-33	
Net cash flow from financing activities		-1,449	963
Net cash flow		1,462	2,700

Condensed consolidated statement of cash flows

Continued

Cash and cash equivalents

	1 January to 30 June 2017	1 January to 30 June 2016
Cash and cash equivalents at beginning of the period	8,634	7,436
Net cash flow	1,462	2,700
Effect of exchange rate changes on cash and cash equivalents	-70	-227
Cash and cash equivalents at end of the period	10,026	9,909
Cash and cash equivalents comprises the following items:		
Cash and cash equivalents	10,022	9,894
Cash and cash equivalents classified as assets held for sale	4	15
Cash and cash equivalents at end of the period	10,026	9,909

Condensed consolidated statement of changes in equity

Condensed consolidated statement of changes in equity (2017)

	Share capital	Share premium	Reserves	Total Shareholders' equity (parent)	Minority interest	Undated subordinated notes	Total equity
Balance as at 1 January 2017	40	12,153	10,502	22,695	12	986	23,693
Unrealised revaluations available-for-sale investments and other			-1,025	-1,025			-1,025
Realised gains/losses transferred to the profit and loss account			-236	-236			-236
Changes in cash flow hedge reserve			-943	-943			-943
Deferred interest credited to policyholders			690	690			690
Share of other comprehensive income of associates and joint ventures			1	1			1
Exchange rate differences			-69	-69			-69
Remeasurement of the net defined benefit asset/liability			11	11			11
Total amount recognised directly in equity (Other comprehensive income)	0	0	-1,571	-1,571	0	0	-1,571
Net result for the period			676	676	6		682
Total comprehensive income	0	0	-895	-895	6	0	-889
Changes in share capital	2	418		420			420
Dividend			-187	-187	-34		-221
Purchase/sale of treasury shares			-145	-145			-145
Employee stock option and share plans			-5	-5			-5
Coupon on undated subordinated notes			-59	-59			-59
Changes in composition of the group and other changes				0	329	778	1,107
Balance as at 30 June 2017	42	12,571	9,211	21,824	313	1,764	23,901

Condensed consolidated statement of changes in equity

Continued

Condensed consolidated statement of changes in equity (2016)

	Share capital	Share premium	Reserves	Total Share- holders' equity (parent)	Minority interest	Undated subordinated notes	Total equity
Balance as at 1 January 2016	40	12,153	8,265	20,458	9	986	21,453
Unrealised revaluations available-for-sale investments and other			5,221	5,221			5,221
Realised gains/losses transferred to the profit and loss account			-87	-87			-87
Changes in cash flow hedge reserve			1,426	1,426			1,426
Deferred interest credited to policyholders			-1,973	-1,973			-1,973
Exchange rate differences			189	189	1		190
Remeasurement of the net defined benefit asset/liability			-41	-41			-41
Unrealised revaluations property in own use			-3	-3			-3
Total amount recognised directly in equity (Other comprehensive income)	0	0	4,732	4,732	1	0	4,733
Net result for the period			605	605			605
Total comprehensive income	0	0	5,337	5,337	1	0	5,338
Dividend			-185	-185			-185
Purchase/sale of treasury shares			-317	-317			-317
Employee stock option and share plans			-16	-16			-16
Coupon on undated subordinated notes			-34	-34			-34
Balance as at 30 June 2016	40	12,153	13,050	25,243	10	986	26,239

Amounts for 2016 have been restated for the change in NN Group's accounting policy for the Reserve Adequacy Test. Reference is made to Note 2 'Accounting policies' for more details.

Notes to the condensed consolidated interim accounts

1 Acquisition of Delta Lloyd

These Condensed consolidated interim accounts of NN Group N.V. (NN Group) for the period ended on 30 June 2017 are significantly impacted by the acquisition of Delta Lloyd N.V. (Delta Lloyd) in the second quarter of 2017. Information on the acquisition of Delta Lloyd, the acquisition accounting under IFRS and the impact on the financial information included in these interim accounts is included in Note 26 'Companies and businesses acquired and divested' and, where relevant, in the individual notes hereafter.

2 Accounting policies

These Condensed consolidated interim accounts of NN Group N.V. 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 2016 NN Group Consolidated annual accounts, except as set out below.

These Condensed consolidated interim accounts should be read in conjunction with the 2016 NN Group Consolidated annual accounts.

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 2016 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.

Reference is made to the 2016 NN Group Consolidated annual accounts for more details on upcoming changes in accounting policies.

Changes in accounting policies

Reserve Adequacy Test (RAT)

As of 1 January 2017, NN Group changed its accounting policy for the Reserve Adequacy Test. The policy that was applied until 2016 is set out in the section 'Accounting policies for specific items – Insurance and investment contracts, reinsurance contracts – Adequacy test' in the 2016 NN Group Consolidated annual accounts.

As of 1 January 2017, the following policy applies:

'The adequacy of the insurance liabilities, net of DAC and VOBA (the net insurance liabilities), is evaluated at each reporting period by each business unit for the business originated in that business unit. The test involves comparing the established net insurance liability to a liability based on current best estimate actuarial assumptions. The assumed investment returns are a combination of the run-off of current portfolio yields on existing assets and reinvestment rates in relation to maturing assets and anticipated new premiums; as a result (part of) the revaluation reserve in shareholders equity is taken into account in assessing the adequacy of insurance liabilities.

If, for any business unit, the established insurance liability is lower than the liability based on current best estimate actuarial assumptions the shortfall is recognised immediately in the profit and loss account.

If the net insurance liabilities are determined to be more than adequate no reduction in the net insurance liabilities is recognised.

The differences between the new policy and the policy applied until 2016 are:

- In the new policy, the adequacy is assessed by comparing the balance sheet liability to a best estimate liability; in the policy applied until 2016 it was compared to a liability with a 50% and 90% confidence level
- In the new policy, the adequacy is assessed at the level of individual business units; in the policy applied until 2016 aggregation at the segment and Group levels applied

The new policy aligns better to current market practice. The change represents a change in accounting policy under IFRS and is implemented retrospectively.

This change had no impact on the Consolidated profit and loss account. The impact on the Consolidated balance sheet as at 31 December 2016 was not significant and is as follows:

Notes to the condensed consolidated interim accounts

Continued

Impact of RAT change in accounting policy on the consolidated balance sheet

	31 December 2016 as reported earlier	Change in RAT accounting policy	31 December 2016 (restated)
Assets			
Deferred acquisition costs	1,636	-5	1,631
Total Assets	168,505	-5	168,500
Equity			
Shareholders' equity (parent)	22,706	-11	22,695
Total equity	23,704	-11	23,693
Liabilities			
Insurance and investment contracts	115,699	9	115,708
Other liabilities (Deferred tax)	6,336	-3	6,333
Total liabilities	144,801	6	144,807
Total equity and liabilities	168,505	-5	168,500

Changes in classification

Interest income/expense on derivatives

NN Group changed its classification of interest income/expense on derivatives for which no hedge accounting is applied. This interest income/expense was classified in 'Investment income' and 'Interest expenses' respectively. This classification is changed and interest income/expense on derivatives for which no hedge accounting is applied is now classified in 'Valuation results on non-trading derivatives', together with the changes in the (clean) fair value of these derivatives. The new classification aligns better to current market practice. The relevant comparative figures for 2016 have been amended as shown in the table below. This change only impacts the classification in the Condensed consolidated profit and loss account. There was no impact on shareholders' equity and net result.

Impact of change in classification on the consolidated profit and loss account

	1 April to 30 June 2016			1 January to 30 June 2016		
	Reported earlier	Change in classification	Restated	Reported earlier	Change in classification	Restated
Income						
Investment income	1,120	-157	963	2,078	-253	1,825
Valuation results on non-trading derivatives	389	63	452	819	123	942
Total income		-94			-130	
Expenses						
Interest expenses	186	-94	92	312	-130	182
Total expenses		-94			-130	
Result before tax and Net result		0			0	

3 Investments for risk of policyholders

The increase in Investments for risk of policyholders from EUR 30,711 million as at 31 December 2016 to EUR 34,506 million as at 30 June 2017 includes EUR 9,980 million recognised on the acquisition of Delta Lloyd. For more information reference is made to Note 26 'Companies and businesses acquired and divested'.

Notes to the condensed consolidated interim accounts

Continued

4 Available-for-sale investments

The increase in Available-for-sale investments from EUR 79,767 million as at 31 December 2016 to EUR 107,861 million as at 30 June 2017 includes EUR 30,434 million recognised on the acquisition of Delta Lloyd. For more information reference is made to Note 26 'Companies and businesses acquired and divested'.

Available-for-sale investments

	30 June 2017	31 December 2016
Equity securities:		
– shares in NN Group managed investment funds	2,520	1,989
– shares in third-party managed investment funds	1,822	1,711
– other	4,151	3,288
Equity securities	8,493	6,988
Debt securities	99,368	72,779
Available-for-sale investments	107,861	79,767

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

Total exposure to debt securities

	30 June 2017	31 December 2016
Available-for-sale investments	99,368	72,779
Loans	1,750	1,935
Available-for-sale investments and loans	101,118	74,714
Investments for risk of policyholders	1,256	1,352
Designated as at fair value through profit or loss	224	241
Financial assets at fair value through profit or loss	1,480	1,593
Total exposure to debt securities	102,598	76,307

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 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Government bonds	73,038	56,042			73,038	56,042
Covered bonds	372	320			372	320
Corporate bonds	14,992	10,409			14,992	10,409
Financial institution bonds	9,386	4,863			9,386	4,863
Bond portfolio (excluding ABS)	97,788	71,634	0	0	97,788	71,634
US RMBS	502	233			502	233
Non-US RMBS	812	784	1,355	1,487	2,167	2,271
CDO/CLO	41	35		4	41	39
Other ABS	225	93	395	444	620	537
ABS portfolio	1,580	1,145	1,750	1,935	3,330	3,080
Debt securities – available-for-sale investments and loans	99,368	72,779	1,750	1,935	101,118	74,714

Notes to the condensed consolidated interim accounts

Continued

Reclassifications to Loans (2009)

As per reclassification date

Q2 2009

Fair value	6,135
Range of effective interest rates	1.4%-24.8%
Expected recoverable cash flows	7,118
Unrealised fair value losses in Shareholders' equity (before tax)	-896
Recognised fair value gains/losses in Shareholders' equity (before tax) between the beginning of the year in which the reclassification occurred and the reclassification date	173
Recognised fair value gains/losses in Shareholders' equity (before tax) in the year prior to reclassification	-971
Impairments (before tax) between the beginning of the year in which the reclassification occurred and the reclassification date	nil
Impairment (before tax) in the year prior to reclassification	nil

Years after reclassification	30 June 2017	31 December 2016	31 December 2015	31 December 2014	31 December 2013	31 December 2012	31 December 2011	31 December 2010	31 December 2009
Carrying value	376	404	533	809	1,098	1,694	3,057	4,465	5,550
Fair value	466	526	676	984	1,108	1,667	2,883	4,594	5,871
Unrealised fair value gains/losses in shareholders' equity (before tax)	-163	-171	-203	-213	-111	-186	-307	-491	-734
Effect on shareholders' equity (before tax) if reclassification had not been made	90	122	143	175	10	-27	-174	129	321
Effect on result (before tax) if reclassification had not been made	nil	nil	nil	nil	nil	nil	nil	nil	nil
Effect on result (before tax) after the reclassification (mainly interest income)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	121
Effect on result (before tax) for the year (interest income and sales results)	nil	nil	1	-2	-10	-47	90	89	n.a.
Impairments (before tax)	nil	nil	nil	nil	nil	nil	nil	nil	nil
Provisions for credit losses (before tax)	nil	nil	nil	nil	nil	nil	nil	nil	nil

Reclassifications out of Available-for-sale investments to Loans are allowed under IFRS-EU as of the third quarter of 2008. In the second quarter of 2009 NN Group reclassified certain financial assets from Available-for-sale investments to Loans. NN Group identified assets, eligible for reclassification, for which at the reclassification date it had the intention to hold for the foreseeable future. The table above provides information on this reclassification made in the second quarter of 2009. Information is provided for this reclassification as at the date of reclassification and as at the end of the subsequent reporting periods. This information is disclosed under IFRS-EU for as long as the reclassified assets continue to be recognised in the balance sheet.

Notes to the condensed consolidated interim accounts

Continued

5 Loans

The increase in Loans from EUR 33,920 million as at 31 December 2016 to EUR 54,627 million as at 30 June 2017 includes EUR 19,924 million recognised on the acquisition of Delta Lloyd. For more information reference is made to Note 26 'Companies and businesses acquired and divested'.

Loans

	30 June 2017	31 December 2016
Loans secured by mortgages	41,968	25,699
Unsecured loans	9,723	4,936
Asset-backed securities	1,750	1,935
Deposits	643	1,097
Policy loans	547	259
Other	64	74
Loans-before loan loss provisions	54,695	34,000
Loan loss provisions	-68	-80
Loans	54,627	33,920

Changes in Loan loss provisions

	30 June 2017	31 December 2016
Loan loss provisions – opening balance	80	87
Write-offs	-4	-18
Increase in loan loss provisions	-4	14
Changes in the composition of the group and other changes	-4	-3
Loan loss provisions – closing balance	68	80

Notes to the condensed consolidated interim accounts

Continued

6 Associates and joint ventures

The increase in Associates and joint ventures from EUR 2,698 million as at 31 December 2016 to EUR 3,113 million as at 30 June 2017 includes EUR 10 million recognised on the acquisition of Delta Lloyd. For more information reference is made to Note 26 'Companies and businesses acquired and divested'.

Associates and joint ventures

	Interest held	Balance sheet value	Interest held	Balance sheet value
		30 June 2017		31 December 2016
CBRE Dutch Office Fund FGR	28%	364	26%	320
CBRE Retail Property Fund Iberica L.P.	33%	231	33%	218
Parcom Investment Fund III B.V.	100%	220	100%	192
Parcom Investment Fund II B.V.	100%	206	100%	205
CBRE Dutch Retail Fund FGR	17%	174	18%	178
CBRE UK Property Fund L.P.	10%	168	10%	169
Dutch Residential Fund I FGR	11%	151		
CBRE Property Fund Central and Eastern Europe FGR	50%	121	21%	51
Parcom Buy Out Fund IV B.V.	100%	114	100%	126
Allee center Kft	50%	109	50%	111
CBRE European Industrial Fund C.V.	19%	107	18%	101
DPE Deutschland II B GmbH & Co KG	34%	104	34%	91
Fiumaranuova s.r.l.	50%	98	50%	95
Boccaccio - Closed-end Real Estate Mutual Investment Fund	50%	91	50%	68
CBRE Dutch Retail Fund II FGR	10%	79	10%	80
Dutch Student and Young Professional Housing fund FGR	49%	70	49%	45
Le Havre LaFayette SNC	50%	59	50%	59
Achmea Dutch Health care Fund	24%	55	24%	49
Delta Mainlog Holding GmbH & Co. KG	50%	52	50%	51
Parquest Capital B FPCI	40%	51	40%	84
Other		489		405
Associates and joint ventures		3,113		2,698

Other represents associates and joint ventures with an individual balance sheet value as at 30 June 2017 of less than EUR 50 million.

7 Real estate investments

The increase in Real estate investments from EUR 2,028 million as at 31 December 2016 to EUR 3,428 million as at 30 June 2017 includes EUR 1,138 million recognised on the acquisition of Delta Lloyd. For more information reference is made to Note 26 'Companies and businesses acquired and divested'.

8 Intangible assets

The increase in Intangible assets from EUR 342 million as at 31 December 2016 to EUR 1,899 million as at 30 June 2017 includes EUR 1,560 million recognised on the acquisition of Delta Lloyd. For more information reference is made to Note 26 'Companies and businesses acquired and divested'.

Intangible assets

	30 June 2017	31 December 2016
Value of business acquired	10	11
Goodwill	1,396	253
Software	66	61
Other	427	17
Intangible assets	1,899	342

Goodwill includes the provisional goodwill of EUR 1,146 million recognised on the acquisition of Delta Lloyd.

Notes to the condensed consolidated interim accounts

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Intangible assets include the preliminary values of the intangibles recognised on the acquisition of Delta Lloyd:

- Delta Lloyd brand name – with an expected remaining useful life of 2 years
- Other brand names – with an average expected remaining useful life of 10 years
- Client relationships – with an average expected remaining useful life of 9 years
- Distribution channels/agreements – with an average expected remaining useful life of 17 years
- Software – with an average expected remaining useful life of 3 years

Reference is made to Note 26 'Companies and businesses acquired and divested'.

9 Assets and liabilities held for sale

Assets and liabilities are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This relates to businesses that are available for immediate sale in their present condition, for which management is committed to a sale and for which a sale is highly probable, i.e. expected to occur within one year.

As at 30 June 2017 assets and liabilities held for sale relate to NN Life Luxembourg. NN Life Luxembourg is presented in the segment 'Insurance Europe'. Assets held for sale relate mainly to Available-for-sale investments. Liabilities held for sale relate mainly to Insurance and investment contracts. Classification as held for sale does not impact the comparative figures in the balance sheet. As NN Life Luxembourg does not qualify as a discontinued operation, there is no impact on the presentation of the profit and loss account. For more information, reference is made to Note 26 'Companies and businesses acquired and divested'.

10 Other assets

The increase in Other assets from EUR 3,152 million as at 31 December 2016 to EUR 4,994 million as at 30 June 2017 includes EUR 4,389 million recognised on the acquisition of Delta Lloyd. For more information reference is made to Note 26 'Companies and businesses acquired and divested'.

Other assets

	30 June 2017	31 December 2016
Insurance and reinsurance receivables	1,107	431
Deferred tax assets	139	35
Property obtained from foreclosures		1
Income tax receivable	248	137
Accrued interest and rents	1,522	1,503
Other accrued assets	1,338	492
Net defined benefit assets	19	
Other	621	553
Other assets	4,994	3,152

11 Equity

Total equity

	30 June 2017	31 December 2016
Share capital	42	40
Share premium	12,571	12,153
Revaluation reserve	8,678	10,227
Currency translation reserve	-48	10
Net defined benefit asset/liability remeasurement reserve	-92	-103
Other reserves	673	368
Shareholders' equity (parent)	21,824	22,695
Minority interests	313	12
Undated subordinated notes	1,764	986
Total equity	23,901	23,693

Notes to the condensed consolidated interim accounts

Continued

Changes in equity (2017)

30 June 2017	Share capital	Share premium	Reserves	Total shareholders' equity (parent)
Equity – opening balance at 1 January	40	12,153	10,502	22,695
Net result for the period			676	676
Total amount recognised directly in equity (Other comprehensive income)			-1,571	-1,571
Changes in share capital	2	418		420
Dividend			-187	-187
Purchase/sale of treasury shares			-145	-145
Employee stock option and share plans			-5	-5
Coupon on undated subordinated notes			-59	-59
Equity – closing balance	42	12,571	9,211	21,824

Changes in equity (2016)

31 December 2016	Share capital	Share premium	Reserves	Total shareholders' equity (parent)
Equity – opening balance at 1 January	40	12,153	8,265	20,458
Net result for the period			1,189	1,189
Total amount recognised directly in equity (Other comprehensive income)			1,893	1,893
Dividend			-298	-298
Purchase/sale of treasury shares			-503	-503
Employee stock option and share plans			-10	-10
Coupon on undated subordinated notes			-34	-34
Equity – closing balance	40	12,153	10,502	22,695

Dividend

Interim dividend 2016

In September 2016 NN Group paid a 2016 interim dividend of EUR 0.60 per ordinary share, which represents a total amount of EUR 195 million. The 2016 interim dividend was paid on 9 September 2016 either in cash or in ordinary shares at the election of the shareholder. As a result, an amount of EUR 113 million was distributed out of Other reserves (cash dividend) and 3,086,014 ordinary shares, with a par value of EUR 0.12 per share, were issued (EUR 82 million stock dividend).

Final dividend 2016

On 1 June 2017, the General Meeting of Shareholders adopted the proposed 2016 final dividend of EUR 0.95 per ordinary share, or approximately EUR 317 million in total. This dividend was paid on 26 June 2017 either in cash or in ordinary shares at the election of the shareholder. As a result, an amount of EUR 187 million was distributed out of Other reserves (cash dividend) and 4,082,061 ordinary shares, with a par value of EUR 0.12 per share, were issued (EUR 129 million stock dividend). Together with the 2016 interim dividend of EUR 0.60 per ordinary share paid in September 2016, NN Group's total dividend for 2016 amounted to EUR 1.55 per ordinary share, or approximately EUR 512 million.

Interim dividend 2017

NN Group will pay a 2017 interim dividend of EUR 0.62 per ordinary share, or approximately EUR 209 million in total. The 2017 interim dividend will be paid either in cash or ordinary shares at the election of the shareholder.

To neutralise the dilutive effect of the final and interim stock dividend, NN Group repurchases ordinary shares for an amount equivalent to the stock dividends.

Issue of ordinary shares

In April 2017, NN Group issued 8,749,237 ordinary shares to Fonds NutsOhra in exchange for the preference shares A in Delta Lloyd held by Fonds NutsOhra and the perpetual subordinated loan provided to Delta Lloyd.

In June 2017 NN Group issued 5,069,969 ordinary shares for a total amount of EUR 165 million as the result of the legal merger of Delta Lloyd into NN Group whereby remaining holders of Delta Lloyd shares received listed ordinary shares in NN Group.

Notes to the condensed consolidated interim accounts

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Purchase/sale of treasury shares

During the first half of 2017, 4,890,489 ordinary shares for a total amount of EUR 152 million were repurchased. Net of EUR 7 million treasury shares related to Employee share plans, this resulted in a purchase of EUR 145 million.

The repurchased shares are held by NN Group and the amount was deducted from Other reserves (Purchase/sale of treasury shares). No treasury shares were cancelled during the first half of 2017.

As at 30 June 2017, 15,411,596 treasury shares were held by NN Group.

On 2 August 2017, 14,348,967 NN Group treasury shares were cancelled.

Undated subordinated notes

The increase in Undated subordinated notes of EUR 778 million relates to the Undated subordinated note of Delta Lloyd that is classified as equity under IFRS.

Coupon on undated subordinated notes

The Undated subordinated notes issued by NN Group have an optional annual coupon payment in July. Following the payment of dividend in 2017, the payment of the annual coupon on 15 July 2017 became mandatory and was recognised as a liability in June. As a result, EUR 34 million (net of tax) was deducted from equity.

The Undated subordinated notes issued by Delta Lloyd (now NN Group Bidco B.V.) have an optional annual coupon payment in June. As a result, EUR 25 million (net of tax) was deducted from equity.

Minority interest

Through the acquisition of Delta Lloyd, NN Group owns 51% of the shares of 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 June 2017, the minority interest relating to ABN AMRO Verzekeringen recognised in equity was EUR 301 million.

Summarised information ABN AMRO Verzekeringen ¹

	30 June 2017
Total assets	5,570
Total liabilities	4,956
Total income ²	146
Total expenses ²	134
Net result recognised in period ²	10
Dividends paid ²	71

¹ All on 100 % basis.

² For the period from acquisition till 30 June 2017.

12 Subordinated debt

The increase in Subordinated debt from EUR 2,288 million as at 31 December 2016 to EUR 2,478 million as at 30 June 2017 includes EUR 1,651 million recognised on the acquisition of Delta Lloyd. For more information reference is made to Note 26 'Companies and businesses acquired and divested'.

Issuance

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

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.

Notes to the condensed consolidated interim accounts

Continued

13 Debt securities issued

The increase in Debt securities issued from EUR 598 million as at 31 December 2016 to EUR 2,577 million as at 30 June 2017 includes EUR 591 million recognised on the acquisition of Delta Lloyd. For more information reference is made to Note 26 'Companies and businesses acquired and divested'.

Issuance

During the first half 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.

14 Other borrowed funds

The change in Other borrowed funds from EUR 7,646 million as at 31 December 2016 to EUR 7,371 million as at 30 June 2017 includes EUR 1,705 million recognised on the acquisition of Delta Lloyd. For more information reference is made to Note 26 'Companies and businesses acquired and divested'.

15 Insurance and investment contracts, reinsurance contracts

The increase in Insurance and investment contracts, reinsurance contracts from EUR 115,477 million as at 31 December 2016 to EUR 165,518 million as at 30 June 2017 includes EUR 56,665 million Insurance and investment contracts and EUR 794 million reinsurance contracts recognised on the acquisition of Delta Lloyd. For more information reference is made to Note 26 'Companies and businesses acquired and divested'.

Insurance and investment contracts, reinsurance contracts

	Liabilities net of reinsurance		Reinsurance contracts		Insurance and investment contracts	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Life insurance liabilities excluding liabilities for risk of policyholders	119,527	80,590	769	114	120,296	80,704
Liabilities for life insurance for risk of policyholders	34,216	29,111	46	46	34,262	29,157
Life insurance liabilities	153,743	109,701	815	160	154,558	109,861
Liabilities for unearned premiums and unexpired risks	779	248	18	3	797	251
Claims liabilities	4,991	3,217	220	68	5,211	3,285
Insurance liabilities	159,513	113,166	1,053	231	160,566	113,397
Investment contracts liabilities	6,005	2,311			6,005	2,311
Insurance and investment contracts, reinsurance contracts	165,518	115,477	1,053	231	166,571	115,708

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

16 Customer deposits and other funds on deposit

The increase in Customer deposits and other funds on deposit from EUR 10,224 million as at 31 December 2016 to EUR 14,572 million as at 30 June 2017 includes EUR 3,802 million recognised on the acquisition of Delta Lloyd. For more information reference is made to Note 26 'Companies and businesses acquired and divested'.

Notes to the condensed consolidated interim accounts

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17 Other liabilities

The increase in Other liabilities from EUR 6,333 million as at 31 December 2016 to EUR 9,232 million as at 30 June 2017 includes EUR 5,440 million recognised on the acquisition of Delta Lloyd. For more information reference is made to Note 26 'Companies and businesses acquired and divested'.

Other liabilities

	30 June 2017	31 December 2016
Deferred tax liabilities	1,633	2,979
Income tax payable	34	7
Net defined benefit liability	139	116
Other post-employment benefits	29	23
Other staff-related liabilities	117	135
Other taxation and social security contributions	111	126
Deposits from reinsurers	414	87
Accrued interest	527	331
Costs payable	338	174
Amounts payable to policyholders	847	737
Provisions	435	189
Amounts to be settled	3,883	1,118
Other	725	311
Other liabilities	9,232	6,333

Notes to the condensed consolidated interim accounts

Continued

18 Gross premium income

Gross premium income includes for both the 3 months and 6 months periods EUR 810 million relating to Delta Lloyd for the period from acquisition until 30 June 2017.

19 Investment income

Investment income includes for both the 3 months and 6 months periods EUR 246 million relating to Delta Lloyd for the period from acquisition until 30 June 2017.

Investment income

	1 April to 30 June 2017	1 April to 30 June 2016	1 January to 30 June 2017	1 January to 30 June 2016
Interest income from investments in debt securities	471	428	871	836
Interest income from loans:				
– unsecured loans	63	33	98	62
– mortgage loans	338	263	605	515
– policy loans	2	2	4	4
– other	26	22	38	46
Interest income from investments in debt securities and loans	900	748	1,616	1,463
Realised gains/losses on disposal of available-for-sale debt securities	37	72	122	96
Impairments of available-for-sale debt securities	-3	-3	-9	-3
Reversal of impairments of available-for-sale debt securities	1		1	
Realised gains/losses and impairments of available-for-sale debt securities	35	69	114	93
Realised gains/losses on disposal of available-for-sale equity securities	113	22	180	51
Impairments of available-for-sale equity securities	-13	-6	-15	-31
Realised gains/losses and impairments of available-for-sale equity securities	100	16	165	20
Interest income on non-trading derivatives	6	3	7	8
Increase in loan loss provisions	2	1	4	-1
Income from real estate investments	38	25	64	45
Dividend income	125	93	163	164
Change in fair value of real estate investments	54	8	79	33
Investment income	1,260	963	2,212	1,825

Impairments on investments by segment

	1 April to 30 June 2017	1 April to 30 June 2016	1 January to 30 June 2017	1 January to 30 June 2016
Netherlands Life	-14	-2	-21	-24
Netherlands Non-life			-1	-1
Insurance Europe	-1	-7	-1	-8
Other	-1		-1	-1
Impairments	-16	-9	-24	-34

Notes to the condensed consolidated interim accounts

Continued

20 Underwriting expenditure

Underwriting expenditure includes for both the 3 months and 6 months periods EUR 789 million relating to Delta Lloyd for the period from acquisition until 30 June 2017.

Underwriting expenditure

	1 April to 30 June 2017	1 April to 30 June 2016	1 January to 30 June 2017	1 January to 30 June 2016
Gross underwriting expenditure:				
- before effect of investment result for risk of policyholder	2,924	2,646	6,369	6,651
- effect of investment result for risk of policyholder	388	-115	652	-46
Gross underwriting expenditure	3,312	2,531	7,021	6,605
Investment result for risk of policyholders	-388	115	-652	46
Reinsurance recoveries	-36	-28	-55	-45
Underwriting expenditure	2,888	2,618	6,314	6,606

The investment income and valuation results regarding investments for risk of policyholders 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 April to 30 June 2017	1 April to 30 June 2016	1 January to 30 June 2017	1 January to 30 June 2016
Expenditure from life underwriting:				
- reinsurance and retrocession premiums	49	28	101	75
- gross benefits	3,997	2,678	6,597	5,437
- reinsurance recoveries	-27	-24	-43	-39
- change in life insurance liabilities	-1,903	-467	-2,033	-185
- costs of acquiring insurance business	119	119	264	258
- other underwriting expenditure	24	19	50	46
- profit sharing and rebates	6	3	19	10
Expenditure from life underwriting	2,265	2,356	4,955	5,602
Expenditure from non-life underwriting:				
- reinsurance and retrocession premiums	22	5	43	26
- gross claims	508	295	803	580
- reinsurance recoveries	-9	-4	-12	-6
- changes in the liabilities for unearned premiums	-69	-99	300	255
- changes in claims liabilities	60	-2	45	18
- costs of acquiring insurance business	113	66	177	129
- other underwriting expenditure	-5	1	-4	2
Expenditure from non-life underwriting	620	262	1,352	1,004
Expenditure from investment contracts:				
- other changes in investment contract liabilities	3		7	
Expenditure from investment contracts	3	0	7	0
Underwriting expenditure	2,888	2,618	6,314	6,606

Notes to the condensed consolidated interim accounts

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21 Staff expenses

Staff expenses includes for both the 3 months and 6 months periods EUR 112 million relating to Delta Lloyd for the period from acquisition until 30 June 2017.

Staff expenses

	1 April to 30 June 2017	1 April to 30 June 2016	1 January to 30 June 2017	1 January to 30 June 2016
Salaries	217	163	374	324
Variable salaries	24	16	46	34
Pension costs	40	26	67	50
Social security costs	34	25	58	49
Share-based compensation arrangements	6	4	8	7
External staff costs	67	50	117	101
Education	5	3	8	6
Other staff costs	21	3	33	20
Staff expenses	414	290	711	591

22 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 April to 30 June 2017	1 April to 30 June 2016	1 April to 30 June 2017	1 April to 30 June 2016	1 April to 30 June 2017	1 April to 30 June 2016
Net result	240	335				
Coupon on undated subordinated notes	-14	-8				
Basic earnings per ordinary share	226	327	328.8	324.8	0.69	1.01
Dilutive instruments:						
Warrants			0.0	0.0		
Share plans			0.7	0.8		
			0.7	0.8		
Diluted earnings per ordinary share	226	327	329.5	325.6	0.69	1.00

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.

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 June 2017	1 January to 30 June 2016	1 January to 30 June 2017	1 January to 30 June 2016	1 January to 30 June 2017	1 January to 30 June 2016
Net result	676	605				
Coupon on undated subordinated notes	-23	-17				
Basic earnings per ordinary share	653	588	325.8	325.0	2.00	1.81
Dilutive instruments:						
Warrants			0.0	0.0		
Share plans			0.7	0.8		
			0.7	0.8		
Diluted earnings per ordinary share	653	588	326.5	325.8	2.00	1.81

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23 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 2 '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.

Following the acquisition of Delta Lloyd the segments remain unchanged. Delta Lloyd entities/businesses have been allocated to the relevant existing segment. The main Delta Lloyd entities have been allocated as follows:

- Delta Lloyd Levensverzekering N.V. is allocated to Netherlands Life
- Delta Lloyd Schadeverzekering N.V. is allocated to Netherlands Non-life
- Delta Lloyd Life N.V. (Belgium) is allocated to Insurance Europe
- Delta Lloyd Bank N.V. is allocated to Other

Acquisition related intangibles and related amortisation are recognised in the head office, which is presented in 'Other'.

Notes to the condensed consolidated interim accounts

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Segments (2017)

1 April to 30 June 2017	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Asset manage- ment	Other	Japan Closed Block VA	Total
Investment margin	254		24	-2			-1	275
Fees and premium-based revenues	127		179	135	135		11	587
Technical margin	55		47	1				103
Operating income non-modelled life business			1					1
Operating income	436	0	251	134	135	0	11	966
Administrative expenses	134		99	36	97		3	370
DAC amortisation and trail commissions	11		78	61			1	152
Expenses	146	0	178	97	97	0	4	522
Non-life operating result		-27						-27
Operating result other						-7		-7
Operating result	290	-27	73	37	37	-7	6	410
Non-operating items:								
– gains/losses and impairments	76	2	22			32		132
– revaluations	19	10	8	-4				34
– market & other impacts	46						5	51
Special items before tax	-12	-2	-8		-5	-41		-68
Amortisation of acquisition intangibles						-33		-33
Result on divestments						-188		-188
Result before tax	419	-17	95	34	32	-237	12	338
Taxation	70	-5	15	10	10	-11	3	92
Minority interests	3	2						6
Net result	346	-14	80	24	23	-226	9	240

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Continued

Segments (2016)

1 April to 30 June 2016	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Asset manage- ment	Other	Japan Closed Block VA	Total
Investment margin	209		19	-7			-1	221
Fees and premium-based revenues	79		137	130	113		15	474
Technical margin	21		51	-9				63
Operating income non-modelled life business			1					1
Operating income	309	0	208	115	113	0	14	759
Administrative expenses	107		79	31	80		4	302
DAC amortisation and trail commissions	9		78	60			2	148
Expenses	116	0	156	92	80	0	6	450
Non-life operating result		19						19
Operating result other						2		2
Operating result	193	19	52	23	33	2	8	330
Non-operating items:								
– gains/losses and impairments	91		-5	1		1		88
– revaluations	39	5	1	-3		-2		40
– market & other impacts	26		-2				-36	-12
Special items before tax	-1	-6	-6	-1	-1	-5		-20
Result before tax	347	19	40	20	32	-3	-28	426
Taxation	69	3	11	10	7	-2	-7	91
Net result	278	15	29	10	24	-1	-21	335

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Segments (2017)

1 January to 30 June 2017	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Asset manage- ment	Other	Japan Closed Block VA	Total
Investment margin	452		38	-4			-1	485
Fees and premium-based revenues	216		322	328	253		23	1,142
Technical margin	98		93	14				205
Operating income non-modelled life business			2					2
Operating income	766	0	456	339	252	0	22	1,834
Administrative expenses	233		181	68	182		6	670
DAC amortisation and trail commissions	22		159	148			3	332
Expenses	255	0	340	216	182	0	9	1,002
Non-life operating result		4						4
Operating result other						-12		-12
Operating result	511	4	115	123	70	-12	13	824
Non-operating items:								
– gains/losses and impairments	191	4	41	8		33		276
– revaluations	76	11	10	-12				86
– market & other impacts	17						-22	-5
Special items before tax	-22	-2	-8		-5	-49		-87
Amortisation of acquisition intangibles						-33		-33
Result on divestments						-179		-179
Result before tax	772	18	158	118	65	-240	-8	882
Taxation	139	2	25	33	17	-16	-2	200
Minority interests	4	2						6
Net result	629	13	133	85	48	-225	-7	676

Special items in 2017 reflect the acquisition and integration of Delta Lloyd, as well as restructuring expenses.

Notes to the condensed consolidated interim accounts

Continued

Segments (2016)

1 January to 30 June 2016	Netherlands Life	Netherlands Non-life	Insurance Europe	Japan Life	Asset manage- ment	Other	Japan Closed Block VA	Total
Investment margin	400		34	-12			-1	420
Fees and premium-based revenues	176		271	306	224		29	1,006
Technical margin	30		93	-10				113
Operating income non-modelled life business			2					2
Operating income	606	0	399	284	224	0	28	1,541
Administrative expenses	216		157	55	162		8	598
DAC amortisation and trail commissions	21		157	139			4	321
Expenses	237	0	314	194	162	0	12	919
Non-life operating result		28	1					29
Operating result other						-9		-9
Operating result	369	28	86	90	62	-9	16	642
Non-operating items:								
– gains/losses and impairments	96	23	-6	1		2		117
– revaluations	103	8	2	-4		-6		103
– market & other impacts	58		-3				-113	-59
Special items before tax	-2	-12	-22	-2	-3	-5		-46
Result before tax	624	47	57	85	59	-17	-97	758
Taxation	120	10	14	18	15	-1	-23	153
Net result	504	38	43	67	44	-16	-74	605

Special items in 2016 reflect disentanglement-related IT expenses in Belgium, expenses related to the rebranding of NN Group's subsidiaries and restructuring expenses related to the target to reduce the administrative expense base of Netherlands.

24 Taxation

Taxation on components of other comprehensive income

	1 April to 30 June 2017	1 April to 30 June 2016	1 January to 30 June 2017	1 January to 30 June 2016
Unrealised revaluations property in own use				1
Unrealised revaluations available-for-sale investments and other	83	-772	518	-1,814
Realised gains/losses transferred to the profit and loss account	8	21	43	26
Changes in cash flow hedge reserve	204	-154	315	-475
Deferred interest credited to policyholders	-61	248	-243	673
Remeasurement of the net defined benefit asset/liability	-5	7	-4	14
Income tax	229	-650	629	-1,575

Notes to the condensed consolidated interim accounts

Continued

25 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 June 2017	31 December 2016	30 June 2017	31 December 2016
Financial assets				
Cash and cash equivalents	10,022	8,634	10,022	8,634
Financial assets at fair value through profit or loss:				
– investments for risk of policyholders	34,506	30,711	34,506	30,711
– non-trading derivatives	5,297	4,421	5,297	4,421
– designated as at fair value through profit or loss	815	873	815	873
Available-for-sale investments	107,861	79,767	107,861	79,767
Loans	57,255	36,470	54,627	33,920
Financial assets	215,756	160,876	213,128	158,326
Financial liabilities				
Subordinated debt	2,691	2,366	2,478	2,288
Debt securities issued	2,590	614	2,577	598
Other borrowed funds	7,470	7,757	7,371	7,646
Investment contracts for risk of company	5,100	741	5,053	696
Investment contracts for risk of policyholders	952	1,615	952	1,615
Customer deposits and other funds on deposit	15,010	10,671	14,572	10,224
Financial liabilities at fair value through profit or loss:				
– non-trading derivatives	2,764	2,008	2,764	2,008
Financial liabilities	36,577	25,772	35,767	25,075

For 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 36 'Fair value of financial assets and liabilities' of the 2016 NN Group Consolidated annual accounts.

Notes to the condensed consolidated interim accounts

Continued

Financial assets and liabilities at fair value

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

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

30 June 2017	Level 1	Level 2	Level 3	Total
Financial assets				
Investments for risk of policyholders	27,565	6,134	807	34,506
Non-trading derivatives	47	5,062	188	5,297
Financial assets designated as at fair value through profit or loss	641	174		815
Available-for-sale investments	77,290	29,004	1,567	107,861
Financial assets	105,543	40,374	2,562	148,479
Financial liabilities				
Investment contracts (for contracts at fair value)	715	237		952
Non-trading derivatives	41	2,541	182	2,764
Financial liabilities	756	2,778	182	3,716

Methods applied in determining the fair value of financial assets and liabilities (2016)

31 December 2016	Level 1	Level 2	Level 3	Total
Financial assets				
Investments for risk of policyholders	28,947	941	823	30,711
Non-trading derivatives	17	4,185	219	4,421
Financial assets designated as at fair value through profit or loss	619	254		873
Available-for-sale investments	59,128	19,432	1,207	79,767
Financial assets	88,711	24,812	2,249	115,772
Financial liabilities				
Investment contracts (for contracts at fair value)	1,599	16		1,615
Non-trading derivatives	64	1,726	218	2,008
Financial liabilities	1,663	1,742	218	3,623

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 (2017)

30 June 2017	Investments for risk of policyholders	Non-trading derivatives	Financial assets designated as at fair value through profit or loss	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	-20	-1		86	65
Revaluations recognised in other comprehensive income (equity)		1		-12	-11
Purchase	4	1		127	132
Sale		-2		-5	-7
Other transfers and reclassifications		-19		-164	-183
Transfers out of Level 3		-18			-18
Changes in the composition of the group		7		339	346
Exchange rate differences				-11	-11
Level 3 Financial assets – closing balance	807	188	0	1,567	2,562

Transfers out of Level 3 and reclassification

Reclassification in 2017 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.

Changes in Level 3 Financial assets (2016)

31 December 2016	Investments for risk of policyholders	Non-trading derivatives	Financial assets designated as at fair value through profit or loss	Available-for- sale investments	Total
Level 3 Financial assets – opening balance	813	208	2	1,587	2,610
Amounts recognised in the profit and loss account	-1			-6	-7
Revaluations recognised in other comprehensive income (equity)				15	15
Purchase	26	11		400	437
Sale	-15		-2	-10	-27
Maturity/settlement				-149	-149
Other transfers and reclassifications				-312	-312
Transfers out of Level 3				-286	-286
Exchange rate differences				-32	-32
Level 3 Financial assets – closing balance	823	219	0	1,207	2,249

Transfers out of Level 3 and reclassification

Reclassification in 2016 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.

Transfers out of Level 3 reflect certain asset backed securities for which market liquidity has improved and as a result are classified as Level 2 in 2016.

Notes to the condensed consolidated interim accounts

Continued

Changes in Level 3 Financial liabilities (2017)

30 June 2017	Non-trading derivatives
Level 3 Financial liabilities – opening balance	218
Other transfers and reclassifications	-19
Transfers out of Level 3	-17
Level 3 Financial liabilities – closing balance	182

Changes in Level 3 Financial liabilities (2016)

31 December 2016	Non-trading derivatives
Level 3 Financial liabilities – opening balance	207
Amounts recognised in the profit and loss account	1
Purchase	16
Sale	-6
Level 3 Financial liabilities – closing balance	218

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

30 June 2017	Held at balance sheet date	Derecognised during the period	Total
Financial assets			
Investments for risk of policyholders	-20		-20
Non-trading derivatives	-1		-1
Available-for-sale investments	-3	89	86
Financial assets	-24	89	65
Financial liabilities			
Financial liabilities	0	0	0

Level 3 – Amounts recognised in the profit and loss account (2016)

31 December 2016	Held at balance sheet date	Derecognised during the period	Total
Financial assets			
Investments for risk of policyholders	-1		-1
Available-for-sale investments	-6		-6
Financial assets	-7	0	-7
Financial liabilities			
Non-trading derivatives	1		1
Financial liabilities	1	0	1

26 Companies and businesses acquired and divested

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. Included below is 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.

Overview of transaction

In February 2017, NN Group announced a recommended public cash offer for all issued and outstanding ordinary shares in the capital of Delta Lloyd at a price of EUR 5.40 in cash for each share, representing a total consideration of EUR 2,463 million.

Notes to the condensed consolidated interim accounts

Continued

On 7 April 2017, NN Group announced that following the expiry of the offer period, 79.9% of all issued and outstanding ordinary shares in the capital of Delta Lloyd had been acquired. NN Group also announced an extension to the offer period which granted the holders of shares who had not yet tendered their shares the opportunity to tender their shares, under the same terms and conditions applicable to the offer, in the post closing acceptance period expiring on 21 April 2017. Furthermore, NN Group announced that all offer conditions as described in the offer memorandum had been satisfied, including obtaining the declarations of no objection from the Dutch Central Bank (DNB), the National Bank of Belgium (NBB) and the European Central Bank (ECB), and competition clearance from the European Commission. In addition, NN Group announced that if, following the settlement date and the post closing acceptance period, NN Group had acquired less than 95% of the Delta Lloyd shares, NN Group would be entitled to pursue a legal merger of Delta Lloyd into NN Group whereby remaining holders of Delta Lloyd shares would receive listed ordinary shares in NN Group. In exchange for each Delta Lloyd share, the owner would receive a fraction of one NN Group share equal to the EUR 5.40 offer price per share divided by the NN Group stock price on the last day prior to the date on which the notarial deed to establish the legal merger was executed.

On 21 April 2017 NN Group announced that following the post closing acceptance period it had acquired approximately 93.3% of the issued and outstanding ordinary shares in the capital of Delta Lloyd.

On 8 May 2017, NN Group announced that it would continue the preparations for the Legal Merger. The Delta Lloyd Executive Board and Delta Lloyd Supervisory Board had approved and consented to the legal merger and the Delta Lloyd General Meeting had resolved to the legal merger on 29 March 2017.

On 31 May 2017, NN Group announced that the legal merger had been executed, whereby remaining holders of issued and outstanding ordinary shares in the capital of Delta Lloyd (other than NN Group) received NN Group shares. In accordance with the legal merger proposal, in exchange for each Delta Lloyd share, the owner received 0.1662 NN Group share, being equal to the offer price of EUR 5.40 per ordinary share in Delta Lloyd, divided by the NN Group volume-weighted average stock price on 30 May 2017 of EUR 32.4946.

Following the settlement of the shares issued under the legal merger, NN Group has full ownership of Delta Lloyd.

Description of Delta Lloyd

Delta Lloyd is a financial services provider offering life insurance, pensions, general insurance, asset management and banking products and services to customers in the Netherlands and Belgium. In order to do so, Delta Lloyd uses multiple channels to distribute its products and services under the following brands: Delta Lloyd, BeFrank, OHRA and ABN AMRO Verzekeringen.

The Delta Lloyd Group offers a range of products from simple insurance products to bespoke and more sophisticated individual and group life insurance products, as well as basic savings and financial planning services through its multiple brands. The broad range of general insurance coverage includes motor vehicles, fire, liability, income protection, and specialist areas such as offshore wind parks. Delta Lloyd and OHRA also distribute health insurance products underwritten by CZ.

Delta Lloyd's Dutch banking activities mainly centre around mortgage loans, bank annuities, savings products and fund investments.

Delta Lloyd Asset Management manages and invests Delta Lloyd's assets and those of its policyholders. It also manages the investments of institutional and retail customers.

Rationale for the transaction

The acquisition of Delta Lloyd by NN Group is backed by a strategic rationale and long-term value creation opportunities.

NN Group and Delta Lloyd believe that a combination of Delta Lloyd and the Dutch and Belgian activities of NN Group is compelling. The transaction will result in an overall stronger platform within the Benelux from which to provide enhanced customer propositions and generate shareholder return:

- Additional scale and capabilities will result in an improved customer proposition within the Dutch pension market;
- Doubling the size of the non-life insurance business will drive underwriting results and customer experience;
- The integration of two leading asset management businesses creates additional scale and expertise;
- Increased size and scale of the banking business, thereby improving the competitive offering to existing and new customers;
- Doubling the presence in Belgium, leading to a strong life insurance market share with a more diversified offering through additional channels.

NN Group believes that significant cost synergies will result from the combination. These synergies are anticipated in a range of areas including the integration of operational and supporting activities in Life and Non-life, full integration of Bank & Asset Management, removal of overlap in centralised functions and reduction in project spend.

The combined Group will be better placed to capture opportunities that technological innovation brings and will provide increased possibilities for knowledge sharing, strengthening capabilities and talent development. It will bring a perspective of growth and lead to opportunities for employees of both companies and will facilitate continuous improvement in customer service and experience.

Notes to the condensed consolidated interim accounts

Continued

Accounting at the acquisition date

The acquisition date of Delta Lloyd by NN Group for acquisition accounting under IFRS is 7 April 2017. On this date, NN Group acquired 79.9% of the ordinary shares in Delta Lloyd and thus obtained control. Furthermore, the announced legal merger as approved by Delta Lloyd at its Extraordinary General Meeting on 29 March 2017 provided certainty that NN Group would acquire full ownership of Delta Lloyd under the same conditions. Therefore, for acquisition accounting under IFRS, NN Group acquired full ownership of Delta Lloyd on 7 April 2017. NN Group used 1 April 2017 as a proxy for the acquisition date for practical reasons as the developments between 1 April 2017 and 7 April 2017 had no material impact. As a result, Delta Lloyd is included in the NN Group consolidation for the full second quarter of 2017.

The initial accounting for Delta Lloyd as at 1 April 2017 is ongoing and as such all values are provisional. NN Group has accounted for the acquisition using the provisional values disclosed below and will recognise any adjustments to these provisional values within a twelve month period from the acquisition date as amendments to the initial accounting.

The provisional values of certain assets and liabilities acquired as at 1 April 2017 as disclosed below differ significantly from the values of the assets and liabilities in the balance sheet of Delta Lloyd immediately before the acquisition by NN Group. This difference is mainly a result from the following amendments as a result of the purchase price allocation as required under IFRS:

- Insurance liabilities were remeasured to fair value as defined in IFRS; this resulted in a significant increase in the amount of insurance liabilities, mainly resulting from applying a different, market consistent, discount rate. The fair value of the insurance liabilities was determined based on the price that a market participant would charge to assume the insurance liabilities of Delta Lloyd in an orderly transaction at the measurement date. In arriving at the fair value of the insurance liabilities of Delta Lloyd, future cash flows were estimated using current best estimate actuarial assumptions. Relevant observable input data was used as far as possible. These future cash flows were then adjusted for the compensation a market participant would require for assuming the risks and uncertainties relating to these insurance liabilities. This compensation was calculated using the cost of capital approach. Lastly, these adjusted future cash flows were discounted using a current market rate to reflect the time value of money.
- All financial assets and liabilities (including investments, loans and funding liabilities) were remeasured to fair value. The valuation technique applied are consistent with those disclosed in the 2016 annual accounts.
- Acquisition related intangible assets were recognised. These include brand names, client relationships, distribution channels/agreements and software. The valuation techniques used to measure the fair value of the intangible assets acquired were as follows:
 - Brands were valued using a relief from royalty method. Under this method a royalty rate is applied to the forecasted gross written premium for the remaining useful life, discounted using an adjusted cost of equity.
 - Client relationships and distribution channels were valued using the excess earnings method. Under this method the fair value is calculated by adjusting the forecasted income for the remaining useful life for contributory assets charges. This amount is then discounted using an adjusted cost of equity.
 - Software was valued using a replacement cost method. Under this method the fair value is calculated by identifying the cost of developing the software (mainly staff expenses) and adjusting the cost for any technical and functional obsolescence, efficiencies and overheads.

The difference between the net assets acquired of EUR 1,317 million and the purchase consideration of EUR 2,463 million represents goodwill and is capitalised in the NN Group balance sheet. This resulting goodwill of EUR 1,146 million is not amortised, but will be tested for impairment at least annually going forward. The amount of goodwill recognised on the acquisition of Delta Lloyd represents mainly the value of synergies to the extent that these are not reflected in the acquisition balance sheet. The goodwill is not tax deductible.

Total fair value of the purchase consideration

	Acquisition date
Fair value of Delta Lloyd shares held previous to transaction	244
Cash paid to acquire Delta Lloyd shares	2,054
Fair value of NN Group shares issued to acquire Delta Lloyd shares	165
Total fair value of the purchase consideration	2,463

Cash flow on acquisition

	Acquisition date
Cash paid to acquire Delta Lloyd shares	-2,054
Cash in company acquired	2,961
Cash flow on acquisition	907

Notes to the condensed consolidated interim accounts

Continued

Provisional acquisition date fair values of the assets and liabilities acquired:

	Acquisition date
ASSETS	
Cash and cash equivalents	2,961
Financial assets at fair value through profit or loss	12,031
Available-for-sale investments	30,434
Loans	19,924
Reinsurance contracts	794
Associates and joint ventures	10
Real estate investments	1,138
Property and equipment	69
Intangible assets	447
Other assets	4,389
Total assets	72,197
LIABILITIES	
Subordinated debt	1,651
Debt securities issued	591
Other borrowed funds	1,706
Insurance and investment contracts	56,665
Customer deposits and other funds on deposit	3,802
Financial liabilities at fair value through profit or loss	694
Other liabilities	5,440
Total liabilities	70,549
Fair value of minority interest acquired	331
Net assets acquired	1,317
Fair value of purchase consideration	2,463
Fair value of net assets acquired	1,317
Goodwill	1,146

Immediately before the acquisition, NN Group already held 45,273,626 ordinary shares in Delta Lloyd. These shares were classified as Available-for-sale investments and at the acquisition date had a fair value of EUR 244 million. A related revaluation reserve of EUR 20 million was recognised in shareholders' equity. As part of the acquisition of Delta Lloyd in the second quarter of 2017, the revaluation reserve on the shares already held was recognised in the profit and loss account, resulting in a gain of EUR 20 million (before tax) in 'Investment income – Realised gains on disposal of Available-for-sale equity securities'.

Other information

	Acquisition date
Acquisition-related costs recognised as expense	25
Total income recognised in profit and loss since date of acquisition	1,025
Net profit recognised in profit and loss since date of acquisition	21
Total income that would have been recognised in profit and loss if Delta Lloyd was acquired from the start of the year ¹	2,095
Net profit that would have been recognised in profit and loss if Delta Lloyd was acquired from the start of the year ²	-130

¹ The sum of Total income since the date of acquisition plus the first quarter 2017 Total income for Delta Lloyd stand-alone.

² The sum of Net profit since the date of acquisition plus the first quarter 2017 Net profit for Delta Lloyd stand-alone.

The financial assets acquired do not include any significant receivables, other than investments in debt securities, mortgage loans and other loans.

There were no significant contingent liabilities related to Delta Lloyd that were recognised at the date of acquisition. Reference is made to Note 27 'Other events' for disclosures on Unit-linked products in the Netherlands.

Notes to the condensed consolidated interim accounts

Continued

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 is subject to regulatory approval, and is expected to close in the second half of 2017. The transaction is not expected to have a material impact on the capital position and result of NN Group.

Acquisitions (2016)

Notus Financial Advisors, Poland

In May 2016 NN Group announced that it had reached an agreement to acquire 100% of the shares of Dom Kredytowy Notus S.A. (Notus). Notus is a leading financial broker in Poland, offering mortgage loans, insurance, investment and savings products. The transaction was closed in the third quarter of 2016 and did not have a material impact on the capital position and operating result of NN Group.

Divestments (2016)

Mandema & Partners

In July 2016, NN Group announced the sale of its 100% subsidiary Mandema & Partners to Van Lanschot Chabot. The transaction, which was completed in January 2017, did not have a material impact on the capital position and result of NN Group.

NN Re (Ireland)

In October 2016, NN Group announced that its wholly-owned reinsurance entity in Ireland, NN Re (Ireland) Limited, had signed a portfolio transfer agreement with Canada Life International Re Limited. The agreement is a result of the continuous strategic assessment of NN Group's portfolio. As a result of this portfolio transfer, NN Re (Ireland) Limited handed back its reinsurance license and repatriated almost all its capital to NN Group in the fourth quarter of 2016. These transactions have not impacted NN Group's reinsurance business in the Netherlands.

27 Other events

Australia

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

Unit-linked products in the Netherlands

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

In March 2017 'Consumentenbond' and 'Wakkerpolis', both associations representing the interests of NN policyholders, separately initiated so-called 'collective actions' against NN. These claims are based on similar grounds as used in the collective action initiated by 'Vereniging Woekerpolis.nl' in November 2013.

On 22 June 2017, the Appeals Committee of the KiFiD ruled in an individual case that was initiated by one of NN's customers, that NN, at the time of selling the unit-linked product, should have provided more information to this customer than was prescribed by the laws and regulations applicable at that time.

On 19 July 2017, the District Court in Rotterdam rendered a judgment in a collective action against NN in respect of unit-linked products. The Court rejected all claims of 'Vereniging Woekerpolis.nl' and ruled that NN has generally provided sufficient information on costs and premiums. The Court's judgment is in line with NN's view that the provision of information needs to be assessed against the laws and regulations and norms applicable at the time of concluding the unit-linked insurance policy. The Court did not follow the line of reasoning of the Appeals Committee of the KiFiD in the individual claim proceedings leading to the ruling of 22 June 2017. The ruling of the District Court in Rotterdam is subject to appeal and does not change earlier statements and conclusions disclosed by NN Group in relation to unit-linked products. Dutch Courts and KiFiD will continue to provide rulings with respect to unit-linked products in proceedings against NN and other Dutch insurance companies.

The claims of 'Consumentenbond' and 'Wakkerpolis' are rejected by NN and NN defends itself in these legal proceedings. These collective actions do not change earlier statements and conclusions disclosed by NN Group in relation to unit-linked products.

Notes to the condensed consolidated interim accounts

Continued

28 Capital management

Solvency II

	30 June 2017	31 December 2016
Basic Own Funds	17,089	14,660
Non-available Own Funds	1,422	1,427
Non-eligible Own Funds	376	84
Eligible Own Funds (a)	15,291	13,149
of which Tier 1 Unrestricted	8,807	8,414
of which Tier 1 Restricted	1,891	1,919
of which Tier 2	2,399	1,043
of which Tier 3	1,097	750
of which non-solvency II regulated entities	1,098	1,022
Solvency Capital Requirements (b)	7,818	5,459
of which non-solvency II regulated entities	508	460
NN Group Solvency II ratio (a/b) ¹	196%	241%

1. The solvency ratios are not final until filed with the regulators. The Solvency II ratio is based on the partial internal model.

The NN Group Solvency II ratio decreased to 196% at the end of the second quarter of 2017 from 241% at the end of 2016. This decrease was mainly due to the acquisition of Delta Lloyd. The decrease was partly offset by tightening of credit spreads on French government bonds, a positive contribution of equity and real estate investments, as well as operating return. The Solvency II ratio also reflects the net negative impact from model and assumption changes as well as the deduction of the 2017 interim dividend.

Authorisation of the condensed consolidated interim accounts

The Hague, 16 August 2017

The Supervisory Board

J.H. (Jan) Holsboer, chair
D.H. (Dick) Harryvan, vice-chair
H.J.G. (Heijo) Hauser
R.W. (Robert) Jenkins
Y.C.M.T. (Yvonne) van Rooij
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 Supervisory Board of NN Group N.V.

Introduction

We have reviewed the accompanying condensed consolidated interim accounts for the six-month period ended 30 June 2017 of NN Group N.V. (the Company), The Hague, as included on page 16 to 52 of this report. These condensed consolidated interim accounts comprise the condensed consolidated balance sheet as at 30 June 2017, the condensed consolidated profit and loss account, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity and the notes for the six-month period then ended. Management of the Company is responsible for the preparation and presentation of the 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 and for the six-month period ended 30 June 2017 are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Amstelveen, 16 August 2017

KPMG Accountants N.V.

P.A.M. de Wit RA

This report is available as a pdf file on
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Important legal information

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

In preparing the financial information in this document, the same accounting principles are applied as in the 2016 NN Group Consolidated Annual Accounts, except as indicated in Note 2 of the 30 June 2017 Condensed consolidated interim financial information.

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) breakup 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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