

# NN Group reports solid 2Q14 results

## Robust capital position further strengthened; strong sales growth

- Successful IPO of NN Group, and subordinated debt issuances of EUR 2 billion in total
- Operating result ongoing business of EUR 257 million, down 6.2% from 2Q13 on lower operating income at Netherlands Life, partly compensated by a reduction of holding expenses and funding costs; year-to-date operating result ongoing business is up 22.4%
- Net result improved significantly to EUR 252 million from EUR 39 million in 2Q13, driven by positive hedge results at Japan Closed Block VA and higher revaluations
- Capital position further strengthened; IGD ratio at 272% and holding company cash capital increased to EUR 1,156 million
- Cost reductions drive total administrative expenses down; on track to achieve EUR 200 million expense reduction target by 2016
- Strong commercial performance reflected in year-on-year sales growth in Japan Life and Insurance Europe, as well as higher pension contract renewals in Netherlands Life
- Assets under management at Investment Management EUR 177 billion, up 5.4% compared with the end of 1Q14, driven by market performance and net inflows

## Statement of Lard Friese, CEO

“Today we announce our first set of results after the successful listing of our company. The IPO of NN Group on 2 July was a major milestone, and represents the final step in our journey to become a standalone company. The success of our IPO reflects investor appetite for our business, a committed management team and an attractive investment proposition with a focus on capital generation and earnings improvement. NN Group delivered a solid performance and will continue to focus on delivering its strategic objectives.

Our cash capital position at the holding company substantially improved over the quarter due to dividend received from operating entities and a pre-IPO capital injection. In addition, the successful issuance of EUR 2 billion of subordinated debt in April and July, together with strong capital generation in the first half of the year, mark important steps in further strengthening our robust capital position.

Strong new sales growth was driven by Japan Life, Insurance Europe and higher pension contract renewals in Netherlands Life. Our continued client focus is increasingly being recognised. Nationale-Nederlanden has received the ‘Keurmerk Klantgericht Verzekeren’, a quality mark for customer focused insurance in the Netherlands.

At the same time, we have reduced expenses. We have made encouraging progress on the cost reduction programme in the Netherlands as so far this year we have realised EUR 75 million savings of our 2016 EUR 200 million expense reduction target. We are well positioned to achieve our strategic and operational objectives.”

### NN Group key figures

In EUR million

|   | 2Q14 | 2Q13  | Change | 1Q14 | Change | 6M2014 | 6M2013 | Change |
|---|------|-------|--------|------|--------|--------|--------|--------|
| Operating result ongoing business                         | 257  | 274   | -6.2%  | 295  | -12.9% | 551    | 450    | 22.4%  |
| Net result  | 252  | 39    | 546.2% | -215 |        | 37     | 1,132  | -96.7% |
| Net operating ROE ongoing business                        | 8.7% | 10.7% |        | 9.9% |        | 9.3%   | 9.9%   |        |
| IGD Solvency I ratio                                      | 272% | 255%  |        | 245% |        | 272%   | 255%   |        |
| New sales life insurance (APE)                            | 305  | 266   | 14.7%  | 439  | -30.5% | 744    | 664    | 12.0%  |
| Investment Management AuM (end of period, in EUR billion) | 177  | 176   | 0.6%   | 168  | 5.4%   | 177    | 176    | 0.6%   |



## Strategy and business highlights

NN Group's strategy is to deliver an excellent customer experience, based on great service and long term relationships. The aim is to achieve this by offering transparent products and services that serve customers' lifetime needs. We do this by having a multi-access distribution network available to customers wherever required, and by maintaining effective operations that deliver an excellent customer service.

An example of how NN Group has improved its customer service recently is the new 'home-based claims manager' in the Netherlands. Policyholders who make a claim that involves significant damage to their home or that has a serious impact on their personal life (such as a fire or burglary) are eligible for this service. These claim officers, who have received special training to deal with the effects of personal loss, come to the customer's home and offer to deal with the entire claims-handling process for them. This new service is unique in the Netherlands, since the introduction in February this year, this service has been used around 2,300 times.

Another example is a paperless purchase process with an integrated app for tablets, which was introduced in Spain. It enables insurance agents to support customers anytime, anywhere. On a tablet, the agent can immediately show the customer's current financial situation, any shortfall in their future pension arrangements, and provide advice on solutions to cover the gaps.

### Strategic financial objectives

As part of the listing process, NN Group announced its strategic financial objectives on 5 June 2014, which are to generate capital and improve earnings. In the Netherlands, management intends to operationally improve, and selectively grow, its insurance businesses via a transformation programme. Across the growth oriented segments in Europe and Japan, management is focused on utilising well-established platforms to capture profitable opportunities and benefit from operational leverage. Diligent management of the Japan Closed Block VA, supported by active risk management, aligns risk appetite with business objectives.

Accordingly, management has set the following financial targets:

- Over time, generate free cash available to shareholders in a range around NN Group's net operating result of the ongoing business (assuming normal markets, current regulatory framework and no material special items)
- In the medium term, achieve an annual growth rate on average of 5-7% of operating result before tax of the ongoing business
- Reduce administrative expenses in Netherlands Life, Netherlands Non-life and holding entities by EUR 200 million by 2016, compared with 2013
- Increase the net operating return on equity of the ongoing business (from a pro-forma 7.1% in 2013) in the medium term

The second quarter results show encouraging first steps in delivering on these strategic financial objectives, with progress made in further improving the robust capital position, and year to date realised cost reductions of EUR 75 million in administrative expenses in Netherlands Life, Netherlands Non-life and the holding entities.

### Robust capital position further strengthened

NN Group's capital position was further strengthened, leading to an increase of the IGD ratio to 272%, a Solvency I capital ratio of NN Life of 250% and a EUR 200 million decrease of financial leverage in the second quarter. The cash capital position at the holding company increased to EUR 1,156 million, following EUR 373 million of dividend received from various subsidiaries and a further strengthening of EUR 200 million resulting from a EUR 850 million pre-IPO capital injection by ING Group (of which EUR 200 million was used to reduce debt and EUR 450 million to strengthen the NN Life capital position). The capital generation during the first six months of 2014 was EUR 507 million, excluding non-recurring items, mainly supported by operating performance and favourable markets, partly offset by the impact of model and assumption changes and other variances. Furthermore, NN Group successfully issued EUR 1 billion dated subordinated debt in April, and EUR 1 billion undated subordinated debt in July, the proceeds of which were used to repay debt to ING Group.



## Strategic objectives and highlights per segment

In the **Netherlands Life** segment the financial target is to maintain the operating result before tax broadly stable at the 2013 level over the medium term through expense reductions and a gradual shift to higher yielding assets. Furthermore, NN Group aims to benefit from its strong position in the pension market to selectively capture growth opportunities. In line with this strategy, progress has been made with positive effects of an increased allocation to higher-yielding assets and higher invested volumes. New sales (APE) increased driven by pension contract renewals. The strong capital position of NN Life is reflected in a Solvency I ratio of 250%.

The strategy for **Netherlands Non-life** is to focus on capital generation by improving underwriting performance and reducing administrative expenses. Further, it aims to expand in specific market segments where there are clear opportunities for profitable growth. Although the operating result decreased compared with the same period last year, due to several large claims in Fire in the Netherlands and weather-related claims in the Belgian Motor portfolio, important progress was made. Management actions to restore profitability and favourable claims development resulted in an improvement of the results in Disability & Accident (D&A). Administrative expenses decreased 11.1% year-on-year reflecting the successful transformation programme in the Netherlands. The combined ratio was 98.5% versus a target combined ratio of 97% or below by 2018.

For **Insurance Europe** the target is to achieve an annual mid-single digit operating result before tax growth rate on average over 2013-18 through growth and operating improvements. The strategy is to capitalise on its strong position in Central and Eastern European markets that combine economic potential with low life insurance penetration levels. In addition, the aim is to achieve growth by further improving the productivity of its existing distribution platforms. Insurance Europe is improving its operations to increase retention and new business through an improved customer experience, thus increasing customer loyalty and potential for referrals. The second quarter showed higher life sales across the region, while expenses remained under control.

The financial target for **Japan Life** is to achieve an annual low to mid-single digit operating result before tax growth rate on average over 2013-18 through scale and operating leverage. The strategy is focused on channel diversification (expansion of bancassurance), and product diversification (expansion of protection sales) by leveraging existing capabilities. Japan Life also seeks to continuously increase the productivity of its independent agents to achieve operating leverage. In the second quarter, apart from the continuing economic recovery in Japan, higher agency productivity and channel diversification contributed to substantially higher new sales.

**Investment Management** aims to grow its third party business by following a tailored approach per client segment. In its retail business, in its home markets in the Netherlands, Poland, Belgium and Luxembourg, Investment Management plans to protect and further expand its leading positions and continues to develop a more distinct range of equity products. The financial target is to achieve an annual mid-single digit operating result before tax growth rate on average over 2013-18 through continued growth of third party business and operating leverage. In line with the strategy, this quarter, assets under management increased to EUR 177 billion, driven by favourable market performance as well as inflows in third-party and proprietary business.

Within the segment '**Other**', **NN Bank** in the Netherlands aims to benefit from new market dynamics in mortgages in the Netherlands, to gain market share and to continue the growth in savings. On a year to date basis the mortgage portfolio increased to EUR 7.1 billion from EUR 6.2 billion. NN Bank continues to build its product offering and introduced a new consumer lending product in February this year. Consumer savings grew by offering competitive rates and attractive products, leading to total customer deposits of EUR 6.5 billion at the end of the second quarter.

## Consolidated results

### Consolidated profit and loss account NN Group

| In EUR million                                      | 2Q2014     | 2Q2013 <sup>1)</sup> | Change        | 1Q2014      | Change        | 6M2014     | 6M2013 <sup>1)</sup> | Change        |
|---|------------|----------------------|---------------|-------------|---------------|------------|----------------------|---------------|
| <b>Operating result</b>                             |            |                      |               |             |               |            |                      |               |
| Netherlands Life                                    | 153        | 204                  | -25.0%        | 153         | 0.0%          | 306        | 342                  | -10.5%        |
| Netherlands Non-life                                | 39         | 42                   | -7.1%         | 22          | 77.3%         | 61         | 39                   | 56.4%         |
| Insurance Europe                                    | 44         | 53                   | -17.0%        | 45          | -2.2%         | 90         | 95                   | -5.3%         |
| Japan Life  | 24         | 30                   | -20.0%        | 66          | -63.6%        | 90         | 113                  | -20.4%        |
| Investment Management                               | 38         | 41                   | -7.3%         | 39          | -2.6%         | 77         | 72                   | 6.9%          |
| Other <sup>2)</sup>                                 | -42        | -97                  |               | -31         |               | -73        | -212                 |               |
| <b>Operating result ongoing business</b>            | <b>257</b> | <b>274</b>           | <b>-6.2%</b>  | <b>295</b>  | <b>-12.9%</b> | <b>551</b> | <b>450</b>           | <b>22.4%</b>  |
| Non-operating items ongoing business                | 10         | -71                  |               | -28         |               | -18        | -56                  |               |
| of which gains/losses and impairments               | -51        | -9                   |               | 10          |               | -42        | 52                   |               |
| of which revaluations                               | 84         | 1                    |               | 0           |               | 84         | -10                  |               |
| of which market & other impacts                     | -24        | -63                  |               | -37         |               | -60        | -97                  |               |
| Japan Closed Block VA                               | 79         | -97                  |               | -36         |               | 43         | 65                   | -33.8%        |
| Insurance Other                                     | 0          | -5                   |               | 0           |               | 0          | -10                  |               |
| Special items before tax                            | -25        | -12                  |               | -572        |               | -597       | -42                  |               |
| Result on divestments                               | 0          | -9                   |               | 56          | -100.0%       | 56         | 29                   | 93.1%         |
| <b>Result before tax from continuing operations</b> | <b>320</b> | <b>80</b>            | <b>300.0%</b> | <b>-284</b> |               | <b>36</b>  | <b>436</b>           | <b>-91.7%</b> |
| Taxation  | 68         | 32                   | 112.5%        | -83         |               | -15        | 110                  | -113.6%       |
| <b>Net result from continuing operations</b>        | <b>252</b> | <b>48</b>            | <b>425.0%</b> | <b>-201</b> |               | <b>51</b>  | <b>326</b>           | <b>-84.4%</b> |
| Net result from discontinued operations             | -1         | -55                  |               | -12         |               | -13        | 755                  | -101.7%       |
| Minority interests                                  | -1         | -47                  |               | 2           | -150.0%       | 1          | -50                  |               |
| <b>Net result</b>                                   | <b>252</b> | <b>39</b>            | <b>546.2%</b> | <b>-215</b> |               | <b>37</b>  | <b>1,132</b>         | <b>-96.7%</b> |
| Net result per share in EUR <sup>3)</sup>           | 0.72       |                      |               |             |               |            |                      |               |

### Key Figures NN Group

| In EUR million   | 2Q2014  | 2Q2013 <sup>1)</sup> | Change | 1Q2014  | Change | 6M2014  | 6M2013 <sup>1)</sup> | Change |
|--|---------|----------------------|--------|---------|--------|---------|----------------------|--------|
| <b>Ongoing business</b>  |         |                      |        |         |        |         |                      |        |
| Gross premium income   | 1,977   | 2,016                | -1.9%  | 3,489   | -43.3% | 5,466   | 5,649                | -3.2%  |
| New sales life insurance (APE) <sup>4)</sup>                                 | 305     | 266                  | 14.7%  | 439     | -30.5% | 744     | 664                  | 12.0%  |
| Total administrative expenses  | 439     | 447                  | -1.8%  | 437     | 0.5%   | 876     | 907                  | -3.4%  |
| Cost/income ratio (Administrative expenses/Operating income)                 | 37.0%   | 36.3%                |        | 34.5%   |        | 35.8%   | 36.8%                |        |
| Combined ratio (Netherlands Non-life) <sup>5)</sup>                          | 98.5%   | 98.2%                |        | 100.2%  |        | 99.4%   | 102.4%               |        |
| Investment Management Assets under Management <sup>6)</sup>                  | 177     | 176                  | 0.6%   | 168     | 5.4%   | 177     | 176                  | 0.6%   |
| Life general account invested assets <sup>6)</sup>                           | 78      | 75                   | 4.0%   | 77      | 1.3%   | 78      | 75                   | 4.0%   |
| Investment margin/Life general account invested assets (bps) <sup>6)7)</sup> | 89      | 89                   |        | 92      |        |         |                      |        |
| Total provisions for insurance & investment contracts <sup>6)8)</sup>        | 100     | 98                   | 2.0%   | 98      | 2.0%   | 100     | 98                   | 2.0%   |
| of which for risk policyholder <sup>6)</sup>                                 | 24      | 25                   | -4.0%  | 24      | 0.0%   | 24      | 25                   | -4.0%  |
| NN Life Solvency I ratio <sup>9)</sup>                                       | 250%    | 230%                 |        | 235%    |        | 250%    | 230%                 |        |
| Net operating ROE  | 8.7%    | 10.7%                |        | 9.9%    |        | 9.3%    | 9.9%                 |        |
| <b>Japan Closed Block VA</b>   |         |                      |        |         |        |         |                      |        |
| Account value <sup>6)</sup>  | 14      | 16                   | -12.5% | 14      | 0.0%   | 14      | 16                   | -12.5% |
| Number of policies   | 330,203 | 366,651              | -9.9%  | 338,197 | -2.4%  | 330,203 | 366,651              | -9.9%  |
| <b>Total NN Group</b>  |         |                      |        |         |        |         |                      |        |
| IGD Solvency I ratio <sup>9)10)</sup>  | 272%    | 255%                 |        | 245%    |        | 272%    | 255%                 |        |
| Total assets <sup>6)</sup>   | 154     | 147                  | 4.8%   | 148     | 4.1%   | 154     | 147                  | 4.8%   |
| Shareholders' equity <sup>6)</sup>   | 17      | 22                   | -22.7% | 15      | 13.3%  | 17      | 22                   | -22.7% |
| Employees (FTEs, end of period)  | 11,913  | 12,291               | -3.1%  | 12,129  | -1.8%  | 11,913  | 12,291               | -3.1%  |

1) The figures of this period have been restated to reflect the change in accounting policy, i.e., the move towards fair value accounting for Guaranteed Minimum Death Benefits reserves of the Japan Closed Block VA segment as of 1 January 2014.

2) Other comprises (the operating result of) the businesses of NN Bank and ING Re, the result of the holding company and certain other results.

3) Net result per share is calculated based on the NN Group shares outstanding as of 7 July 2014.

4) Sum of annual premiums and 1/10th of single premiums sold in the period.

5) Excluding Mandema and Zicht broker businesses.

6) End of period, in EUR billion.

7) Four-quarter rolling average.

8) 2Q2013 includes Japan Life which was classified as held for sale.

9) The 30 June 2014 capital ratios are not final until filed with the regulators.

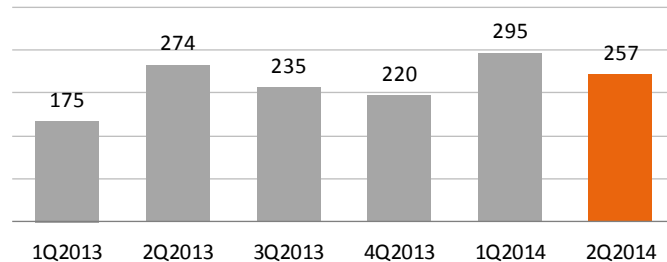
10) The 1Q2014 IGD Solvency I ratio has been updated from 249% to 245% as the eligible hybrids for IGD capital are capped at a maximum of 50% of the EU required capital base, with the additional condition that dated hybrids can be included up to a maximum of 25% of the EU required capital base.

Note: Operating results are non-GAAP measures. These are derived from figures according to IFRS-EU by excluding impact from divestments, discontinued operations and special items, gains/losses and impairments, revaluations and market & other impacts.

- Operating result ongoing business was EUR 257 million, down 6.2% on last year, reflecting lower operating income at Netherlands Life, mitigated by a reduction of the holding expenses and funding costs
- Result before tax improved significantly to EUR 320 million, driven by Japan Closed Block VA and higher revaluations
- New sales (APE) increased 22.1% compared with last year, on a constant currency basis

## Operating result NN Group

(in EUR million)



The operating result of the ongoing business decreased to EUR 257 million from EUR 274 million in the second quarter of 2013 and from EUR 295 million in the previous quarter.

Netherlands Life's operating result decreased to EUR 153 million from EUR 204 million in the second quarter of 2013, mainly due to lower fees and premium-based revenues as well as a lower technical margin. The operating result was stable compared with the previous quarter, as seasonally higher dividends in the second quarter and lower administrative expenses offset lower fees and premium-based revenues, which are typically higher in the first quarter of the year.

The operating result of Netherlands Non-life decreased to EUR 39 million from EUR 42 million in the second quarter of 2013 reflecting several large claims in Property & Casualty (P&C). Management actions to restore profitability combined with favourable claims development led to better results in Disability & Accident (D&A). Compared with the previous quarter, the result improved from EUR 22 million, driven by a favourable claims experience in D&A.

Insurance Europe's operating result was EUR 44 million, down EUR 9 million from a year ago reflecting, lower operating income, partly offset by lower expenses. On a sequential basis, the operating result was essentially stable as lower investment and technical margins were almost fully compensated by lower DAC amortisation and trail commissions.

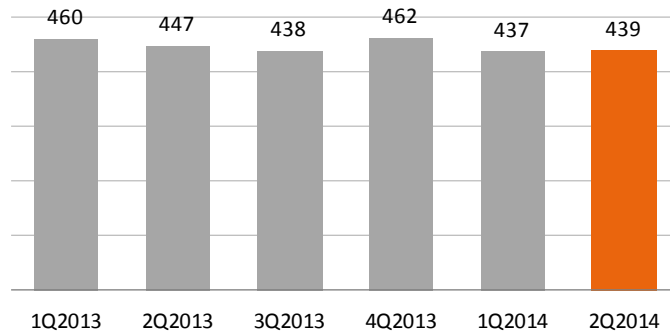
Japan Life's operating result was EUR 24 million, down 14.3% year-on-year, excluding currency effects, on a lower investment margin and lower technical margin. Fees and premium-based revenues rose 12.2%, excluding currency effects, driven by higher sales and larger in-force volumes. The operating result decreased from EUR 66 million in the first quarter, which included seasonally higher fees and premium-based revenues.

The operating result of Investment Management was down at EUR 38 million versus EUR 41 million in the same quarter of last year, mainly due to higher administrative expenses. On a sequential basis, the operating result fell 2.6% due to lower fee income.

The operating result of the segment 'Other' improved to EUR -42 million from EUR -97 million a year ago reflecting both lower holding expenses and funding costs as well as an increase of the operating result at NN Bank and in the reinsurance business. Compared with the previous quarter, the operating result declined by EUR 11 million due to higher non-recurring holding expenses.

## Administrative expenses ongoing business

(in EUR million)



Total second-quarter administrative expenses of the ongoing business were EUR 439 million, down 1.8% from a year ago and essentially flat compared with the previous quarter. Expenses declined year-on-year, despite higher NN Bank expenses, as a result of the partial transfer of WUB to NN Bank on 1 July 2013, which added EUR 15 million of expenses compared with the second quarter of last year. Excluding currency effects and the partial transfer of WUB to NN Bank, administrative expenses of the ongoing business fell 4.1%, demonstrating the impact of the transformation programme in the Netherlands. In line with the IPO announcements, management aims to reduce administrative expenses in Netherlands Life, Netherlands Non-life and corporate/holding entities by EUR 200 million by 2016, compared with 2013. Cost reductions of EUR 75 million have been realised on a year-to-date basis.

### Result before tax

The result before tax from continuing operations increased to EUR 320 million compared with EUR 80 million in the second quarter of 2013 and EUR -284 million in the previous quarter. The year-on-year improvement is mainly attributable to a higher result of Japan Closed Block VA and higher revaluations. The previous quarter included a EUR -541 million special item related to the impact of the agreement to make ING's closed defined benefit pension plan in the Netherlands financially independent.

Gains/losses and impairments were EUR -51 million compared with EUR -9 million in the second quarter of 2013 and EUR 10 million in the previous quarter. The current quarter mainly reflects impairments on public equity and real estate in Netherlands Life.

Revaluations were EUR 84 million compared with EUR 1 million in the second quarter of 2013 and nil in the previous quarter, and consisted mainly of positive revaluations on private equity in Netherlands Life and Netherlands Non-life.

Market and other impacts amounted to EUR -24 million compared with EUR -63 million a year ago and EUR -37 million in the previous quarter. The result in the current quarter reflects a negative movement in the provision for guarantees on separate account pension contracts (net of hedging) in Netherlands Life and a EUR 9 million one-off contribution to the new guarantee fund in Poland related to the pension reforms. In July 2014 a refund of EUR 52 million was received from the guarantee fund that was discontinued as per 1 July 2014; this refund will be recognised in the third quarter of 2014.

The result before tax of Japan Closed Block VA was EUR 79 million compared with EUR -97 million a year ago and EUR -36 million in the previous quarter, reflecting positive hedge results.

The Insurance Other segment ceased to exist as from 1 January 2014. The EUR 5 million loss in the second quarter of 2013 related to shareholder expenses of ING Group that were allocated to NN Group.

Special items before tax amounted to EUR -25 million compared with EUR -12 million in the second quarter of 2013 and EUR -572 million in the previous quarter. Special items in the current quarter mainly relate to the transformation programme in the Netherlands, while the previous quarter included the EUR -541 million impact related to the agreement to make ING's closed defined benefit pension plan in the Netherlands financially independent.

The result on divestments was nil compared with EUR -9 million in the second quarter of last year and EUR 56 million in the previous quarter. The first quarter of 2014 result was related to the disposal of the Brazilian insurance holding SulAmérica as part of ING Group's overall restructuring.



### **Net result**

The net result from continuing operations improved significantly to EUR 252 million from EUR 48 million in the second quarter of 2013 and EUR -201 million in the previous quarter as the lower operating result was more than compensated by higher results in Japan Closed Block VA as well as higher revaluations.

The net result from discontinued operations was EUR -1 million, compared with EUR -55 million in the second quarter of last year and EUR -12 million in the previous quarter. The current quarter includes a loss on divestments of EUR 3 million related to the sale of IM India.

### **Sales**

Total new sales (APE) at NN Group were EUR 305 million, up 22.1% from a year ago on a constant currency basis. Sales grew 24.2% in Japan Life, driven by the continued economic recovery in Japan, higher agency productivity and channel diversification. In Insurance Europe, sales grew 9.8% year-on-year mainly due to higher life sales across the region, partly offset by lower pension sales. APE rose 70.4% in Netherlands Life, driven by higher pension renewals. Compared with the previous quarter, sales declined 31.2% on a constant currency basis, as the first quarter of 2014 included seasonally higher life sales in Japan Life and corporate pension renewals in the Netherlands.

### **Net operating ROE**

The net operating ROE for the ongoing business of NN Group decreased to 8.7% compared with 10.7% in the second quarter of 2013, mainly due to a higher adjusted average allocated equity base following the EUR 1 billion debt-to-equity conversion at the end of the fourth quarter of 2013 and a EUR 850 million capital injection in the second quarter of 2014 from ING Group, as well as to a decrease in the net operating result.

### **Other events**

In proceedings pending before the District Court in Rotterdam related to unit linked policies, the Court has submitted preliminary questions to the European Court of Justice. As previously disclosed in the equity prospectus dated 17 June 2014, on 12 June 2014 the Attorney General to the European Court of Justice gave its non-binding advisory opinion to the European Court of Justice. It is expected that the European Court will render its judgment by the end of 2014, at the earliest. The financial exposure related to Dutch unit-linked products can be substantial for the Dutch Insurance business of NN Group and may affect NN Group, both financially and reputationally. However, NN Group's exposure cannot be reliably estimated or quantified at this time.

## Netherlands Life

- Operating result decreased to EUR 153 million from EUR 204 million last year, mainly due to a lower technical margin and lower fees and premium-based revenues
- Administrative expenses up 1.7% year-on-year as cost savings are offset by higher employee benefit provisions
- Result before tax increased 41.4% from last year on higher revaluations
- New sales (APE) grew to EUR 46 million from EUR 27 million in the second quarter last year, mainly due to higher pension contract renewals
- Strong capital position reflected in an improved Solvency I ratio from 223% to 250% over the first half of 2014

| In EUR million   | 2Q2014     | 2Q2013     | Change        | 1Q2014      | Change        |
|--|------------|------------|---------------|-------------|---------------|
| <b>Margin analysis</b>   |            |            |               |             |               |
| Investment margin  | 162        | 173        | -6.4%         | 140         | 15.7%         |
| Fees and premium-based revenues  | 89         | 106        | -16.0%        | 127         | -29.9%        |
| Technical margin   | 36         | 60         | -40.0%        | 34          | 5.9%          |
| Operating income non-modelled business                                     | 0          | 0          |               | 0           |               |
| <b>Operating income</b>  | <b>287</b> | <b>339</b> | <b>-15.3%</b> | <b>301</b>  | <b>-4.7%</b>  |
| Administrative expenses  | 120        | 118        | 1.7%          | 126         | -4.8%         |
| DAC amortisation and trail commissions                                     | 13         | 17         | -23.5%        | 23          | -43.5%        |
| <b>Expenses</b>  | <b>133</b> | <b>134</b> | <b>-0.7%</b>  | <b>148</b>  | <b>-10.1%</b> |
| <b>Operating result</b>  | <b>153</b> | <b>204</b> | <b>-25.0%</b> | <b>153</b>  | <b>0.0%</b>   |
| Non-operating items  | 10         | -83        |               | -46         |               |
| of which gains/losses and impairments                                      | -57        | -29        |               | -9          |               |
| of which revaluations  | 82         | 9          |               | 0           |               |
| of which market & other impacts  | -15        | -63        |               | -37         |               |
| Special items before tax   | -7         | -10        |               | -340        |               |
| Result on divestments  | 0          | 0          |               | 0           |               |
| <b>Result before tax</b>   | <b>157</b> | <b>111</b> | <b>41.4%</b>  | <b>-233</b> |               |
| Taxation   | 22         | 18         | 22.2%         | -68         |               |
| Minority interests   | -1         | 2          | -150.0%       | -1          |               |
| <b>Net result</b>  | <b>136</b> | <b>92</b>  | <b>47.8%</b>  | <b>-164</b> |               |
| <b>New business figures</b>  |            |            |               |             |               |
| Single premiums  | 137        | 123        | 11.4%         | 189         | -27.5%        |
| Annual premiums  | 32         | 14         | 128.6%        | 112         | -71.4%        |
| New sales life insurance (APE) <sup>1)</sup>                               | 46         | 27         | 70.4%         | 131         | -64.9%        |
| <b>Key figures</b>   |            |            |               |             |               |
| Gross premium income   | 614        | 615        | -0.2%         | 1,405       | -56.3%        |
| Total administrative expenses  | 120        | 118        | 1.7%          | 126         | -4.8%         |
| Cost/income ratio (Administrative expenses/Operating income)               | 41.8%      | 34.8%      |               | 41.9%       |               |
| Life general account invested assets <sup>2)</sup>                         | 57         | 54         | 5.6%          | 57          | 0.0%          |
| Investment margin/Life general account invested assets (bps) <sup>3)</sup> | 105        | 104        |               | 109         |               |
| Total provisions for insurance & investment contracts <sup>2)</sup>        | 68         | 66         | 3.0%          | 67          | 1.5%          |
| of which for risk policyholder <sup>2)</sup>                               | 17         | 18         | -5.6%         | 16          | 6.3%          |
| Allocated equity (end of period)   | 11,265     | 9,865      | 14.2%         | 10,243      | 10.0%         |
| Net operating ROE  | 8.1%       | 10.4%      |               | 7.8%        |               |
| NN Life Solvency I ratio <sup>4)</sup>                                     | 250%       | 230%       |               | 235%        |               |
| Employees (FTEs, end of period)  | 2,366      | 2,646      | -10.6%        | 2,433       | -2.8%         |

1) Sum of annual premiums and 1/10<sup>th</sup> of single premiums sold in the period.

2) End of period, in EUR billion.

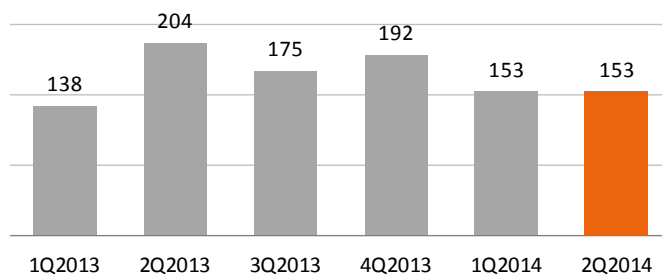
3) Four-quarter rolling average.

4) The 30 June 2014 capital ratios are not final until filed with the regulators.



## Operating result - Netherlands Life

(in EUR million)



The operating result of Netherlands Life decreased to EUR 153 million from EUR 204 million in the second quarter of 2013. This was mainly due to lower fees and premium-based revenues and a lower technical margin, both of which were strong in the second quarter of last year. The operating result was stable compared with the previous quarter, as seasonally higher dividends in the second quarter and lower administrative expenses offset lower fees and premium-based revenues, which are typically higher in the first quarter of the year.

The investment margin decreased to EUR 162 million from EUR 173 million a year ago, mainly reflecting lower dividend income on fixed income funds and private equity, as well as EUR 10 million interest expenses on two subordinated loans issued by NN Life to NN Group. This was partly compensated by the positive effects of an increased allocation to higher-yielding assets and higher invested volumes. Compared with the previous quarter, the investment margin increased by EUR 22 million, driven by seasonally higher dividends, which are typically received in the second quarter of the year.

Fees and premium-based revenues decreased to EUR 89 million from EUR 106 million in the second quarter of 2013, with the individual life closed book run-off and structural lower fee income on the unit-linked portfolio accounting for EUR 7 million of the year-on-year decline. In addition, premium-based revenues on pension products in the second and third quarters of 2013 were supported by non-recurring effects. On a sequential basis, fees and premium-based revenues decreased by EUR 38 million. This decrease was due to seasonality as annual pension premiums are typically recognised in the first quarter of the year.

The technical margin decreased to EUR 36 million from a very strong EUR 60 million in the second quarter of 2013. The current quarter reflects lower mortality results, as well as an adverse impact from the movement of unit-linked guarantee provisions; these provisions increased in the current quarter due to a decrease in interest rates, whereas the second quarter of 2013 benefited from a decrease of these unit-linked guarantee provisions due to an increase in interest rates. Compared with the previous quarter, the technical margin increased 5.9%, mainly due to higher mortality results.

Administrative expenses were EUR 120 million, up 1.7% year-on-year mainly due to EUR 9 million higher employee benefit provisions as a result of lower interest rates, partly compensated by the positive impact of the transformation programme in the Netherlands. On a sequential basis, administrative expenses decreased 4.8%, mainly as a result of lower IT-related expenses.

DAC amortisation and trail commissions decreased to EUR 13 million from EUR 17 million a year ago, reflecting the gradual run-off of the individual life closed book. On a sequential basis, DAC amortisation and trail commissions decreased by EUR 10 million, mainly due to seasonality as annual pension premiums are typically recognised in the first quarter of the year.

The result before tax was EUR 157 million compared with EUR 111 million in the second quarter of 2013. The improvement was mainly due to better non-operating results. On a sequential basis, the result before tax increased from EUR -233 million, as the previous quarter included a EUR -331 million special item related to the impact of the agreement to make ING's closed defined benefit pension plan in the Netherlands financially independent.

Gains/losses and impairments were EUR -57 million, mainly reflecting impairments on real estate and public equity. Revaluations were EUR 82 million, mainly driven by positive private equity revaluations of EUR 67 million. Market and other impacts were EUR -15 million, reflecting the movement in the provision for guarantees on separate account pension contracts (net of hedging).

New sales (APE) increased to EUR 46 million from EUR 27 million in the second quarter of last year, driven by higher pension contracts renewals, partly offset by lower single premiums in individual life. On a sequential basis, APE decreased by EUR 85 million due to seasonality as annual pension premiums are typically recognised in the first quarter of the year.

## Netherlands Non-life

- Operating result decreased to EUR 39 million from EUR 42 million in the second quarter of 2013, reflecting several large claims in Property & Casualty
- Results in Disability & Accident continued to improve on the back of a favourable claims development, more stringent underwriting criteria and premium rate increases
- The success of the transformation programme in the Netherlands reflected in 11.1% decline in administrative expenses
- Combined ratio of 98.5%, slightly up from 98.2% in the second quarter of 2013, but down from 100.2% in the previous quarter

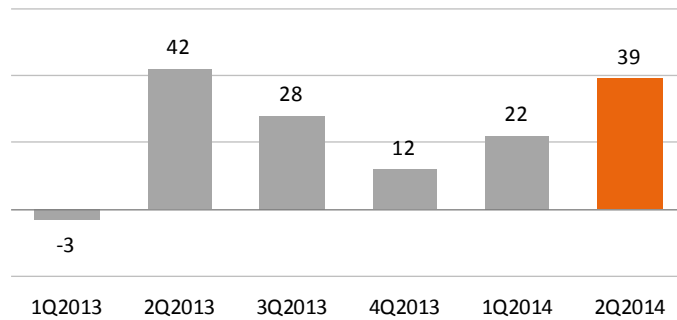
| In EUR million                                       | 2Q2014     | 2Q2013     | Change       | 1Q2014     | Change       |
|--|------------|------------|--------------|------------|--------------|
| <b>Margin analysis</b>                               |            |            |              |            |              |
| Earned premiums                                      | 379        | 382        | -0.8%        | 389        | -2.6%        |
| Investment income                                    | 32         | 36         | -11.1%       | 24         | 33.3%        |
| Other income   | -1         | -1         |              | -1         |              |
| <b>Operating income</b>                              | <b>410</b> | <b>416</b> | <b>-1.4%</b> | <b>411</b> | <b>-0.2%</b> |
| <b>Claims incurred, net of reinsurance</b>           | <b>254</b> | <b>250</b> | <b>1.6%</b>  | <b>273</b> | <b>-7.0%</b> |
| Acquisition costs                                    | 64         | 62         | 3.2%         | 62         | 3.2%         |
| Administrative expenses                              | 56         | 63         | -11.1%       | 56         | 0.0%         |
| <b>Acquisition costs and administrative expenses</b> | <b>120</b> | <b>125</b> | <b>-4.0%</b> | <b>117</b> | <b>2.6%</b>  |
| <b>Expenditure</b>                                   | <b>373</b> | <b>375</b> | <b>-0.5%</b> | <b>390</b> | <b>-4.4%</b> |
| <b>Operating result insurance businesses</b>         | <b>37</b>  | <b>41</b>  | <b>-9.8%</b> | <b>21</b>  | <b>76.2%</b> |
| Operating result broker businesses                   | 2          | 1          | 100.0%       | 1          | 100.0%       |
| <b>Total operating result</b>                        | <b>39</b>  | <b>42</b>  | <b>-7.1%</b> | <b>22</b>  | <b>77.3%</b> |
| Non-operating items                                  | 8          | -2         |              | -1         |              |
| of which gains/losses and impairments                | -3         | -1         |              | -1         |              |
| of which revaluations                                | 11         | 0          |              | 1          |              |
| of which market & other impacts                      | 0          | 0          |              | 0          |              |
| Special items before tax                             | -4         | -6         |              | -85        |              |
| Result on divestments                                | 0          | 0          |              | 0          |              |
| <b>Result before tax</b>                             | <b>44</b>  | <b>35</b>  | <b>25.7%</b> | <b>-63</b> |              |
| Taxation   | 8          | 8          | 0.0%         | -17        |              |
| Minority interests                                   | 0          | 0          |              | 0          |              |
| <b>Net result</b>                                    | <b>36</b>  | <b>27</b>  | <b>33.3%</b> | <b>-47</b> |              |
| <b>Key figures</b>                                   |            |            |              |            |              |
| Gross premium income                                 | 286        | 291        | -1.7%        | 760        | -62.4%       |
| Total administrative expenses                        | 73         | 83         | -12.0%       | 75         | -2.7%        |
| Combined ratio <sup>1)</sup>                         | 98.5%      | 98.2%      |              | 100.2%     |              |
| of which Claims ratio <sup>1)</sup>                  | 66.9%      | 65.5%      |              | 70.1%      |              |
| of which Expense ratio <sup>1)</sup>                 | 31.6%      | 32.7%      |              | 30.1%      |              |
| Total insurance provisions <sup>2)</sup>             | 4          | 4          | 0.0%         | 4          | 0.0%         |
| Allocated equity (end of period)                     | 651        | 716        | -9.1%        | 695        | -6.3%        |
| Net operating ROE                                    | 28.9%      | 31.7%      |              | 13.7%      |              |
| Employees (FTEs, end of period)                      | 1,748      | 2,049      | -14.7%       | 1,911      | -8.5%        |

<sup>1)</sup> Excluding Mandema and Zicht broker businesses.

<sup>2)</sup> End of period, in EUR billion.

## Operating result - Netherlands Non-life

(in EUR million)



The operating result for Netherlands Non-life decreased to EUR 39 million from EUR 42 million in the second quarter of 2013 and improved from EUR 22 million in the previous quarter. The results in Disability & Accident (D&A) continued to improve, reflecting a favourable claims development and the effects of management actions to restore profitability in the Disability portfolio, including premium rate increases and more stringent underwriting criteria. The operating result for Property & Casualty (P&C) declined year-on-year as the current quarter was impacted by several large claims in Fire in the Netherlands and weather-related claims in the Belgian Motor portfolio, whereas the second quarter last year included favourable results in Fire. On a sequential basis, the higher operating result is primarily attributable to the favourable claims experience in Disability.

The second quarter 2014 combined ratio was 98.5% compared with 98.2% in the same quarter of 2013 as the combined ratio for P&C deteriorated to 101.9% from 95.1% a year ago, partly mitigated by an improvement of the combined ratio for D&A to 94.5% from 102.4% a year ago.

Administrative expenses decreased to EUR 56 million compared with EUR 63 million in the second quarter of last year, mainly as a result of the transformation programme in the Netherlands. On a sequential basis, administrative expenses remained stable.

The result before tax improved to EUR 44 million from EUR 35 million in the second quarter of 2013. The current quarter included positive private equity revaluations. The result before tax for the previous quarter included a special item of EUR -82 million related to the agreement to make ING's closed defined benefit pension plan in the Netherlands financially independent.

Gross premium income decreased slightly compared with a year ago to EUR 286 million, as P&C gross premium income was impacted by stricter underwriting and product rationalisation. On a sequential basis, gross premium income decreased from EUR 760 million; this was largely due to seasonality as gross premium income is skewed towards the first and third quarters.

## Insurance Europe

- Operating result fell to EUR 44 million; lower operating income and impact of pension reforms in Poland were partly compensated by expense reductions
- Administrative expenses fell 6.3% due to lower project expenses
- New sales (APE) up 9.8%, excluding currency effects, driven by higher life sales across the region

| In EUR million   | 2Q2014     | 2Q2013     | Change        | 1Q2014     | Change        |
|--|------------|------------|---------------|------------|---------------|
| <b>Margin analysis</b>   |            |            |               |            |               |
| Investment margin  | 21         | 28         | -25.0%        | 27         | -22.2%        |
| Fees and premium-based revenues  | 127        | 128        | -0.8%         | 128        | -0.8%         |
| Technical margin   | 44         | 46         | -4.3%         | 48         | -8.3%         |
| Operating income non-modelled business                                     | 1          | 6          | -83.3%        | 1          | 0.0%          |
| <b>Operating income Life Insurance</b>                                     | <b>193</b> | <b>207</b> | <b>-6.8%</b>  | <b>204</b> | <b>-5.4%</b>  |
| Administrative expenses  | 74         | 79         | -6.3%         | 74         | 0.0%          |
| DAC amortisation and trail commissions                                     | 77         | 79         | -2.5%         | 86         | -10.5%        |
| <b>Expenses Life Insurance</b>   | <b>152</b> | <b>157</b> | <b>-3.2%</b>  | <b>160</b> | <b>-5.0%</b>  |
| <b>Operating result Life Insurance</b>                                     | <b>42</b>  | <b>50</b>  | <b>-16.0%</b> | <b>44</b>  | <b>-4.5%</b>  |
| Non-life operating result  | 3          | 2          | 50.0%         | 2          | 50.0%         |
| <b>Operating result</b>  | <b>44</b>  | <b>53</b>  | <b>-17.0%</b> | <b>45</b>  | <b>-2.2%</b>  |
| Non-operating items  | 0          | 3          |               | 10         |               |
| of which gains/losses and impairments                                      | 8          | 3          |               | 10         |               |
| of which revaluations  | 1          | 0          |               | 0          |               |
| of which market & other impacts  | -9         | 0          |               | 0          |               |
| Special items before tax   | -2         | -3         |               | -2         |               |
| Result on divestments  | 0          | 0          |               | 0          |               |
| <b>Result before tax</b>   | <b>43</b>  | <b>52</b>  | <b>-17.3%</b> | <b>54</b>  | <b>-20.4%</b> |
| Taxation   | 16         | 15         | 6.7%          | 12         | 33.3%         |
| Minority interests   | 0          | 2          | -100.0%       | 2          | -100.0%       |
| <b>Net result</b>  | <b>26</b>  | <b>35</b>  | <b>-25.7%</b> | <b>39</b>  | <b>-33.3%</b> |
| <b>New business figures</b>  |            |            |               |            |               |
| Single premiums  | 274        | 254        | 7.9%          | 229        | 19.7%         |
| Annual premiums  | 108        | 105        | 2.9%          | 117        | -7.7%         |
| New sales life insurance (APE) <sup>1)</sup>                               | 135        | 131        | 3.1%          | 140        | -3.6%         |
| <b>Key figures</b>   |            |            |               |            |               |
| Gross premium income   | 546        | 585        | -6.7%         | 587        | -7.0%         |
| Total administrative expenses  | 78         | 82         | -4.9%         | 77         | 1.3%          |
| Cost/income ratio (Administrative expenses/Operating income)               | 36.8%      | 36.6%      |               | 34.8%      |               |
| Life general account invested assets <sup>2)</sup>                         | 12         | 13         | -7.7%         | 12         | 0.0%          |
| Investment margin/Life general account invested assets (bps) <sup>3)</sup> | 80         | 86         |               | 84         |               |
| Total provisions for insurance & investment contracts <sup>2)</sup>        | 20         | 20         | 0.0%          | 19         | 5.3%          |
| of which for risk policyholder <sup>2)</sup>                               | 7          | 7          | 0.0%          | 7          | 0.0%          |
| Assets under management pensions <sup>2)4)</sup>                           | 15         | 20         | -25.0%        | 14         | 7.1%          |
| Allocated equity (end of period)   | 1,997      | 1,972      | 1.3%          | 2,031      | -1.7%         |
| Net operating ROE  | 7.9%       | 9.1%       |               | 8.9%       |               |
| Employees (FTEs, end of period)  | 4,046      | 4,056      | -0.2%         | 4,039      | 0.2%          |

1) Sum of annual premiums and 1/10<sup>th</sup> of single premiums sold in the period.

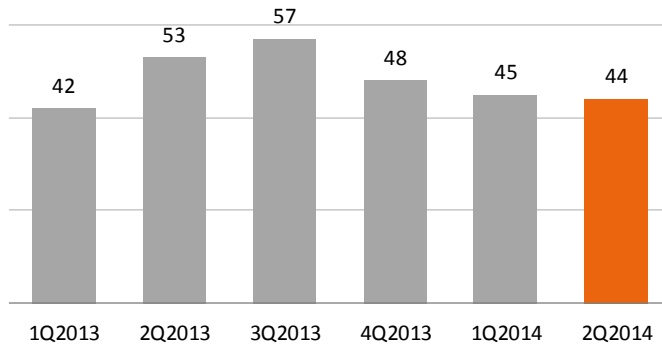
2) End of period, in EUR billion.

3) Four-quarter rolling average.

4) The numbers shown under AuM are client balances which exclude IFRS shareholder's equity related to the respective pension businesses and include the assets under administration.

## Operating result - Insurance Europe

(in EUR million)



The operating result of Insurance Europe was EUR 44 million, down EUR 9 million from a year ago, reflecting a lower investment margin and a lower technical margin. On a sequential basis, the operating result was relatively stable as the lower investment margin and technical margin were almost fully compensated by lower DAC amortisation and trail commissions.

The investment margin was EUR 21 million, down from EUR 28 million a year ago due to the low yield environment and as a result of lower invested volumes following dividend payments to NN Group in the fourth quarter of 2013. On a sequential basis, the investment margin declined from EUR 27 million as the first quarter included higher investment income in Greece in connection with an early redemption of Residential Mortgage Backed Securities (RMBS).

Fees and premium-based revenues were EUR 127 million, essentially flat compared with EUR 128 million in both comparable quarters. Fees and premium-based revenues in the current quarter benefited from higher life sales in Belgium and Spain, higher pension inflows in Romania as well as the reclassification from operating income non-modelled business to fees and premium-based revenues in Turkey as of the first quarter of 2014. These items were offset by the impact of the pension reforms in Poland which took effect in February 2014.

The technical margin was EUR 44 million, versus EUR 46 million in the second quarter of 2013 and EUR 48 million in the previous quarter. The year-on-year decline was caused by lower surrender results across the region. Compared with the previous quarter, the technical margin declined mainly due to lower mortality results in Spain and lower morbidity and surrender results in Greece.

Administrative expenses declined to EUR 74 million from EUR 79 million in the same quarter of last year mainly due to lower project expenses. On a sequential basis, administrative expenses were stable.

DAC amortisation and trail commissions decreased to EUR 77 million compared with EUR 79 million in the second quarter of 2013, fully due to currency effects. On a sequential basis, DAC amortisation and trail commissions declined from EUR 86 million, as the first quarter included the recognition of the annual crisis tax in Belgium.

The result before tax was EUR 43 million and reflected a EUR 8 million gain on the sale of government bonds in Spain, offset by a EUR 9 million one-off contribution to the new guarantee fund in Poland related to the pension reforms. In July 2014 a refund of EUR 52 million was received from the guarantee fund that was discontinued as per 1 July 2014; this refund will be recognised in the third quarter of 2014. The first quarter of 2014 included a EUR 10 million gain on the sale of corporate bonds in Belgium, Spain and Greece.

New sales (APE) were EUR 135 million compared with EUR 131 million in the second quarter of 2013. The 9.8% increase, excluding currency effects, was due to higher life sales across the region, partly offset by lower pension sales. On a sequential basis, new sales declined 4.3% due to lower life and pension sales across the region.

## Japan Life

- Operating result of EUR 24 million, down 14.3% excluding currency effects, on lower investment margin and technical margin
- Fees and premium-based revenues up 12.2% year-on-year, excluding currency effects, driven by higher sales and larger in-force volumes
- Continuing economic recovery in Japan, higher agency productivity and channel diversification supported substantial increase in new sales (APE)

| In EUR million   | 2Q2014    | 2Q2013    | Change        | 1Q2014     | Change        |
|--|-----------|-----------|---------------|------------|---------------|
| <b>Margin analysis<sup>1)</sup></b>  |           |           |               |            |               |
| Investment margin  | -1        | 2         | -150.0%       | -1         |               |
| Fees and premium-based revenues  | 102       | 98        | 4.1%          | 134        | -23.9%        |
| Technical margin   | -4        | -2        |               | 9          | -144.4%       |
| Operating income non-modelled business                                     | 0         | 0         |               | 0          |               |
| <b>Operating income</b>  | <b>96</b> | <b>98</b> | <b>-2.0%</b>  | <b>142</b> | <b>-32.4%</b> |
| Administrative expenses  | 25        | 25        | 0.0%          | 24         | 4.2%          |
| DAC amortisation and trail commissions                                     | 47        | 43        | 9.3%          | 52         | -9.6%         |
| <b>Expenses</b>  | <b>72</b> | <b>68</b> | <b>5.9%</b>   | <b>76</b>  | <b>-5.3%</b>  |
| <b>Operating result</b>  | <b>24</b> | <b>30</b> | <b>-20.0%</b> | <b>66</b>  | <b>-63.6%</b> |
| Non-operating items  | 0         | 1         |               | -3         |               |
| of which gains/losses and impairments                                      | 1         | 6         |               | 0          |               |
| of which revaluations  | -1        | -5        |               | -3         |               |
| of which market & other impacts  | 0         | 0         |               | 0          |               |
| Special items before tax   | 0         | 0         |               | 0          |               |
| Result on divestments  | 0         | 0         |               | 0          |               |
| <b>Result before tax</b>   | <b>24</b> | <b>31</b> | <b>-22.6%</b> | <b>64</b>  | <b>-62.5%</b> |
| Taxation   | 7         | 13        | -46.2%        | 23         | -69.6%        |
| Minority interests   | 0         | 0         |               | 0          |               |
| <b>Net result</b>  | <b>17</b> | <b>19</b> | <b>-10.5%</b> | <b>40</b>  | <b>-57.5%</b> |
| <b>New business figures<sup>1)</sup></b>                                   |           |           |               |            |               |
| Single premiums  | 13        | 31        | -58.1%        | 19         | -31.6%        |
| Annual premiums  | 123       | 106       | 16.0%         | 167        | -26.3%        |
| New sales life insurance (APE) <sup>2)</sup>                               | 124       | 109       | 13.8%         | 169        | -26.6%        |
| <b>Key figures<sup>1)</sup></b>  |           |           |               |            |               |
| Gross premium income   | 524       | 519       | 1.0%          | 731        | -28.3%        |
| Total administrative expenses  | 25        | 25        | 0.0%          | 24         | 4.2%          |
| Cost/income ratio (Administrative expenses/Operating income)               | 26.0%     | 25.5%     |               | 16.9%      |               |
| Life general account invested assets <sup>3)</sup>                         | 9         | 9         | 0.0%          | 9          | 0.0%          |
| Investment margin/Life general account invested assets (bps) <sup>4)</sup> | -2        | 12        |               | 2          |               |
| Total provisions for insurance & investment contracts <sup>3)5)</sup>      | 8         | 8         | 0.0%          | 8          | 0.0%          |
| of which for risk policyholder <sup>3)</sup>                               | 0         | 0         |               | 0          |               |
| Allocated equity (end of period)   | 1,438     | 1,247     | 15.3%         | 1,354      | 6.2%          |
| Net operating ROE  | 5.9%      | 5.8%      |               | 15.3%      |               |
| Employees (FTEs, end of period)  | 649       | 674       | -3.7%         | 656        | -1.1%         |

1) JPY/EUR average quarterly fx rates: 140.31 (2Q2014), 127.03 (2Q2013), 141.57 (1Q2014) and JPY/EUR end of period fx rates: 138.41 (2Q2014), 129.45 (2Q2013), 142.44 (1Q2014).

2) Sum of annual premiums and 1/10<sup>th</sup> of single premiums sold in the period.

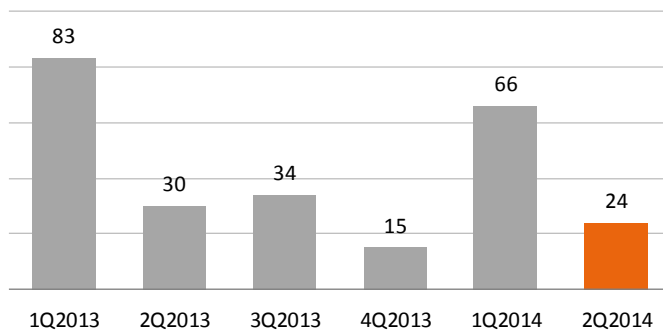
3) End of period, in EUR billion.

4) Four-quarter rolling average.

5) Japan Life was classified as held for sale in 2Q2013.

## Operating result - Japan Life

(in EUR million)



The operating result of Japan Life was EUR 24 million compared with EUR 30 million in the second quarter of 2013 (down 14.3% excluding currency effects), mainly due to a decrease of both the investment margin and the technical margin and higher administrative expenses. On a sequential basis, the operating result decreased from EUR 66 million in the first quarter, which included seasonally higher fees and premium-based revenues and a higher technical margin.

The investment margin decreased to EUR -1 million from EUR 2 million in the second quarter of 2013 due to reinvestments at a lower yield.

Fees and premium-based revenues were EUR 102 million, up 12.2% year-on-year excluding currency effects, driven by higher sales and larger in-force volumes. On a sequential basis, fees and premium-based revenues decreased 25.2%, excluding currency effects, due to seasonally higher sales in the first quarter of the year.

The technical margin decreased to EUR -4 million from EUR -2 million in the second quarter of 2013 and EUR 9 million in the first quarter due to higher surrenders.

Administrative expenses were EUR 25 million, stable compared with the second quarter of 2013 and up 8.7% excluding currency effects, mainly owing to higher head office charges. On a sequential basis, administrative expenses were flat.

DAC amortisation and trail commissions were EUR 47 million, up 20.5% compared with the second quarter of 2013, excluding currency effects, due to higher premium income and higher surrenders. On a sequential basis, DAC amortisation and trail commissions decreased from EUR 52 million in line with lower premium income in the second quarter, partially offset by higher DAC amortisation driven by seasonally higher surrenders.

The result before tax decreased to EUR 24 million from EUR 31 million in the second quarter of last year and EUR 64 million in the previous quarter, in line with the operating result.

New sales (APE) increased to EUR 124 million, up 24.2% from the second quarter of last year, excluding currency effects, driven by the continued economic recovery in Japan, higher agency productivity and channel diversification. On a sequential basis, APE decreased from EUR 169 million due to seasonally higher sales in the first quarter.

## Investment Management

- Total Assets under Management increased 5.4% during the quarter to EUR 177 billion, driven by market appreciation as well as inflows in the third-party and proprietary businesses
- Operating result of EUR 38 million declined from EUR 41 million last year due to higher administrative expenses
- Fees in the current quarter benefited from higher AuM

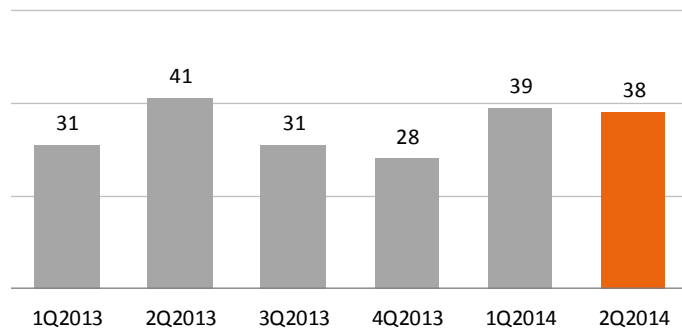
| In EUR million   | 2Q2014     | 2Q2013     | Change       | 1Q2014     | Change       |
|--|------------|------------|--------------|------------|--------------|
| <b>Margin analysis</b>                                       |            |            |              |            |              |
| Investment income  | 0          | 0          |              | 0          |              |
| Fees   | 116        | 117        | -0.9%        | 118        | -1.7%        |
| <b>Operating income</b>                                      | <b>116</b> | <b>117</b> | <b>-0.9%</b> | <b>118</b> | <b>-1.7%</b> |
| <b>Administrative expenses</b>                               | <b>79</b>  | <b>76</b>  | <b>3.9%</b>  | <b>79</b>  | <b>0.0%</b>  |
| <b>Operating result</b>                                      | <b>38</b>  | <b>41</b>  | <b>-7.3%</b> | <b>39</b>  | <b>-2.6%</b> |
| Non-operating items  | 0          | 0          |              | 0          |              |
| of which gains/losses and impairments                        | 0          | 0          | n.a.         | 0          |              |
| of which revaluations  | 0          | 0          | n.a.         | 0          |              |
| of which market & other impacts                              | 0          | 0          | n.a.         | 0          |              |
| Special items before tax                                     | 0          | 0          |              | -122       |              |
| Result on divestments  | 0          | 0          |              | 0          |              |
| <b>Result before tax</b>                                     | <b>38</b>  | <b>41</b>  | <b>-7.3%</b> | <b>-83</b> |              |
| Taxation   | 9          | 10         | -10.0%       | -22        |              |
| Minority interests   | 0          | 0          |              | 0          |              |
| <b>Net result</b>  | <b>29</b>  | <b>31</b>  | <b>-6.5%</b> | <b>-61</b> |              |
| <b>Key figures</b>   |            |            |              |            |              |
| Total administrative expenses                                | 79         | 76         | 3.9%         | 79         | 0.0%         |
| Cost/income ratio (Administrative expenses/Operating income) | 68.1%      | 65.0%      |              | 66.9%      |              |
| Net inflow Assets under Management (in EUR billion)          | 4          | -4         |              | -12        |              |
| Assets under Management <sup>1)</sup>                        | 177        | 176        | 0.6%         | 168        | 5.4%         |
| Fees/average Assets under Management (bps)                   | 27         | 26         |              | 28         |              |
| Allocated equity (end of period)                             | 380        | 335        | 13.4%        | 351        | 8.3%         |
| Net operating ROE  | 31.4%      | 34.3%      |              | 34.6%      |              |
| Employees (FTEs, end of period)                              | 1,139      | 1,154      | -1.3%        | 1,145      | -0.5%        |

<sup>1)</sup> End of period, in EUR billion.



## Operating result - Investment Management

(in EUR million)



Total Assets under Management (AuM) for Investment Management were EUR 177 billion at the end of the second quarter, up slightly from EUR 176 billion at the end of the second quarter of 2013 and up from EUR 168 billion at the end of the previous quarter. The increase in the second quarter of 2014 was due to market appreciation as well as inflows in third-party and proprietary businesses.

The operating result was EUR 38 million compared with EUR 41 million in the same quarter of last year. The year-on-year decrease was mainly due to higher administrative expenses. On a sequential basis, the operating result decreased 2.6% due to lower fee income.

Fees were EUR 116 million, in line with both comparable quarters. The previous quarter included a EUR 5 million one-off fee, while the current quarter benefited from higher revenues on higher AuM.

Administrative expenses were EUR 79 million compared with EUR 76 million in the second quarter of 2013 and flat versus the previous quarter. Both the first and the second quarter of 2014 benefited from a EUR 5 million release of personnel provisions, partly offset by the introduction of the fixed service fee in the Netherlands, which led to a EUR 2 million increase in expenses with an offsetting impact in fees.

The result before tax was EUR 38 million compared with EUR -83 million in the previous quarter, which included a special item of EUR -122 million, reflecting the impact of the agreement to make ING's closed defined benefit pension plan in the Netherlands financially independent.

## Other

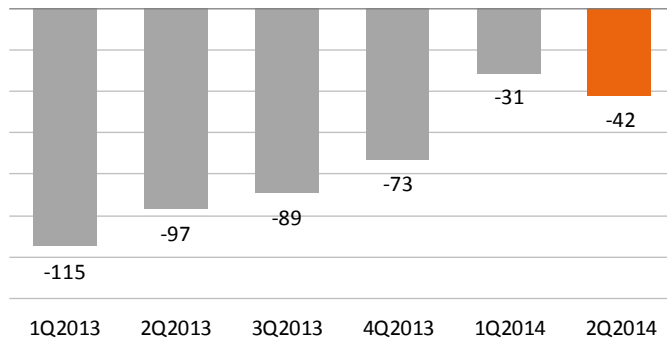
- Operating result of segment 'Other' improved to EUR -42 million from EUR -97 million in the same quarter of last year, mainly due to a reduction of holding expenses and funding costs
- Higher operating result for the reinsurance business due to higher hedge results on the VA Europe portfolio and better underwriting results
- Operating result of NN Bank improved following the partial transfer of assets and liabilities from WUB in July 2013
- NN Bank continued to increase its mortgage portfolio and attract consumer savings

| In EUR million  | 2Q2014     | 2Q2013      | Change  | 1Q2014     | Change  |
|---|------------|-------------|---------|------------|---------|
| <b>Margin analysis</b>  |            |             |         |            |         |
| Interest on hybrids and debt  | -35        | -47         |         | -33        |         |
| Investment income & fees  | 12         | 7           | 71.4%   | 7          | 71.4%   |
| Holding expenses  | -33        | -50         |         | -26        |         |
| Amortisation of intangible assets                                     | -2         | -2          |         | -2         |         |
| <b>Holding result</b>   | <b>-58</b> | <b>-91</b>  |         | <b>-54</b> |         |
| Operating result reinsurance business                                 | 15         | 5           | 200.0%  | 11         | 36.4%   |
| Operating result NN Bank  | 2          | -7          |         | 5          | -60.0%  |
| Other results   | 0          | -3          |         | 7          | -100.0% |
| <b>Operating result</b>   | <b>-42</b> | <b>-97</b>  |         | <b>-31</b> |         |
| Non-operating items   | -9         | 10          |         | 11         |         |
| of which gains/losses and impairments                                 | 0          | 12          |         | 10         |         |
| of which revaluations   | -9         | -1          |         | 1          |         |
| of which market & other impacts                                       | 0          | 0           |         | 0          |         |
| Special items before tax  | -13        | 8           | -262.5% | -23        |         |
| Result on divestments   | 0          | -58         |         | 0          |         |
| <b>Result before tax</b>  | <b>-64</b> | <b>-136</b> |         | <b>-43</b> |         |
| Taxation  | -11        | -7          |         | 0          |         |
| Minority interests  | 0          | 0           |         | 0          |         |
| <b>Net result</b>   | <b>-53</b> | <b>-129</b> |         | <b>-43</b> |         |
| <b>Key figures</b>  |            |             |         |            |         |
| Total administrative expenses   | 64         | 63          | 1.6%    | 56         | 14.3%   |
| of which reinsurance business   | 3          | 3           | 0.0%    | 3          | 0.0%    |
| of which NN Bank  | 27         | 6           |         | 27         | 0.0%    |
| NN Bank common equity Tier 1 ratio phased in                          | 15.7%      | 37.1%       |         | 16.7%      |         |
| Total assets NN Bank <sup>1)</sup>                                    | 9          | 1           |         | 8          | 12.5%   |
| Total provisions for insurance and investment contracts <sup>1)</sup> | 1          | 1           | 0.0%    | 1          | 0.0%    |
| Allocated equity (end of period)                                      | 5          | -3,331      |         | -1,220     |         |
| Employees (FTEs, end of period)                                       | 1,884      | 1,594       | 18.2%   | 1,868      | 0.9%    |

<sup>1)</sup> End of period, in EUR billion.

## Operating result - Other

(in EUR million)



The operating result of the segment 'Other' improved to EUR -42 million from EUR -97 million a year ago. The year-on-year improvement reflects lower holding expenses, lower funding costs and a higher operating result at NN Bank and at the reinsurance business. On a sequential basis, the operating result declined by EUR 11 million due to higher non-recurring holding expenses.

The holding result improved to EUR -58 million compared with EUR -91 million in the second quarter of 2013. Interest costs on hybrids and debt were EUR 12 million lower mainly following refinancing of both external and intercompany loans with ING Group and a EUR 1 billion debt-to-equity conversion in December of last year. Investment income & fees increased to EUR 12 million and mainly reflects interest income on the EUR 600 million and EUR 450 million subordinated loans issued by NN Life to NN Group in the first and second quarter of 2014. Holding expenses declined by EUR 17 million year-on-year, mainly reflecting the transformation programme in the Netherlands.

The operating result of the reinsurance business increased to EUR 15 million from EUR 5 million a year ago following higher hedge results on the VA Europe portfolio and better underwriting results. On a sequential basis, the operating result increased by EUR 4 million driven by a better hedge result.

The operating result of NN Bank increased to EUR 2 million from EUR -7 million in the second quarter of 2013. The partial transfer of assets and liabilities from WUB to NN Bank on 1 July 2013 led to a relatively higher increase in operating income than expenses. On a sequential basis, the operating result decreased by EUR 3 million mainly due to volatility in hedge results on the mortgage portfolio.

The other result declined to nil from EUR 7 million in the previous quarter, which reflected a non-recurring adjustment on the amortisation of certain fixed income securities.

Revaluations were EUR -9 million compared with EUR -1 million in the second quarter of 2013 and EUR 1 million in the previous quarter. The current quarter mainly reflects negative revaluations on real estate.

Special items before tax amounted to EUR -13 million compared with EUR 8 million in the second quarter of 2013 and EUR -23 million in the previous quarter. The special items in the current quarter mainly relate to the transformation programme in the Netherlands.

The result before tax improved to EUR -64 million compared with EUR -136 million in the second quarter of 2013, mainly reflecting the improved operating result and the EUR 58 million loss on the sale of the Mexican mortgage business in the second quarter of last year.

Total administrative expenses were virtually flat compared with the second quarter last year at EUR 64 million. The decline of holding expenses largely offsets the year-on-year increase of NN Bank expenses, following the partial transfer of the assets and liabilities from WUB to NN Bank on 1 July 2013. The number of FTEs also increased as a consequence of this transfer. On a sequential basis, administrative expenses increased by EUR 8 million mainly due to a non-recurring adjustment in insurance premium paid on a contract to cover operational risk.

## Japan Closed Block VA

- Result before tax improved to EUR 79 million, driven by positive hedge results
- Portfolio run-off reflected in decreasing number of policies and account value, excluding currency effects

| In EUR million                         | 2Q2014    | 2Q2013 <sup>2)</sup> | Change        | 1Q2014     | Change        |
|--|-----------|----------------------|---------------|------------|---------------|
| <b>Margin analysis<sup>1)</sup></b>    |           |                      |               |            |               |
| Investment margin                      | 0         | 0                    |               | 0          |               |
| Fees and premium-based revenues        | 28        | 35                   | -20.0%        | 30         | -6.7%         |
| Technical margin                       | 0         | 0                    |               | 0          |               |
| Operating income non-modelled business | 0         | 0                    |               | 0          |               |
| <b>Operating income</b>                | <b>28</b> | <b>35</b>            | <b>-20.0%</b> | <b>30</b>  | <b>-6.7%</b>  |
| Administrative expenses                | 4         | 3                    | 33.3%         | 4          | 0.0%          |
| DAC amortisation and trail commissions | 3         | 12                   | -75.0%        | 3          | 0.0%          |
| <b>Expenses</b>                        | <b>8</b>  | <b>15</b>            | <b>-46.7%</b> | <b>7</b>   | <b>14.3%</b>  |
| <b>Operating result</b>                | <b>20</b> | <b>19</b>            | <b>5.3%</b>   | <b>23</b>  | <b>-13.0%</b> |
| Non-operating items                    | 59        | -117                 |               | -59        |               |
| of which gains/losses and impairments  | 0         | 0                    |               | 0          |               |
| of which revaluations                  | 0         | 0                    |               | 0          |               |
| of which market & other impacts        | 59        | -117                 |               | -59        |               |
| Special items before tax               | 0         | 0                    |               | 0          |               |
| Result on divestments                  | 0         | 0                    |               | 0          |               |
| <b>Result before tax</b>               | <b>79</b> | <b>-97</b>           |               | <b>-36</b> |               |
| Taxation                               | 17        | -23                  |               | -11        |               |
| Minority interests                     | 0         | 0                    |               | 0          |               |
| <b>Net result</b>                      | <b>62</b> | <b>-75</b>           |               | <b>-24</b> |               |
| <b>Key figures<sup>1)</sup></b>        |           |                      |               |            |               |
| Allocated equity (end of period)       | 1,061     | 1,387                | -23.5%        | 1,058      | 0.3%          |
| Account value <sup>3)</sup>            | 14        | 16                   | -12.5%        | 14         | 0.0%          |
| Net Amount at Risk                     | 694       | 1,908                | -63.6%        | 870        | -20.2%        |
| IFRS Reserves                          | 1,068     | 2,161                | -50.5%        | 1,267      | -15.7%        |
| Number of policies                     | 330,203   | 366,651              | -9.9%         | 338,197    | -2.4%         |
| Employees (FTEs, end of period)        | 81        | 117                  | -30.8%        | 76         | 6.6%          |

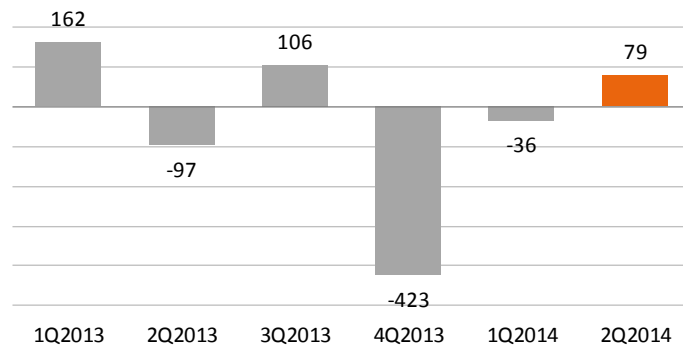
1) JPY/EUR average quarterly fx rates: 140.31(2Q2014), 127.03 (2Q2013), 141.57 (1Q2014) and JPY/EUR end of period fx rates: 138.41(2Q2014), 129.45 (2Q2013), 142.44 (1Q2014).

2) The figures of this period have been restated to reflect the change in accounting policy, i.e., the move to fair value accounting for Guaranteed Minimum Death Benefits reserves of the Japan Closed Block VA segment as of 1 January 2014.

3) End of period, in EUR billion.

## Result before tax - Japan Closed Block VA

(in EUR million)



The result before tax of Japan Closed Block VA was EUR 79 million compared with EUR -97 million in the second quarter last year and EUR -36 million in the previous quarter as the current quarter benefited from positive hedge results.

The operating result increased to EUR 20 million from EUR 19 million in the second quarter of 2013 and decreased from EUR 23 million in the previous quarter. Fees and premium-based revenues declined on both comparable quarters, while the second quarter of 2013 included DAC amortisation, which was fully written off as of 1 October 2013.

Fees and premium-based revenues were EUR 28 million, down 9.7% from the second quarter of 2013 and down 6.7% from the first quarter of 2014 due to non-recurring reinsurance adjustments as well as a lower account value mainly caused by a decreasing number of policies, all excluding currency impacts.

Administrative expenses were EUR 4 million, which was stable compared with both comparable quarters.

DAC amortisation and trail commissions decreased to EUR 3 million from EUR 12 million in the second quarter of 2013 and remained stable compared with the first quarter of 2014. This line item now only reflects trail commissions as all DAC was written off as of 1 October 2013.

Market and other impacts were EUR 59 million compared with EUR -117 million in the second quarter of 2013 and EUR -59 million in the previous quarter. The result of the current quarter mainly reflects basis risk and lower market volatility that is only partially hedged. The loss in the second quarter of 2013 was mainly caused by a negative hedge result driven by market volatility, while the loss in the previous quarter primarily reflects the impact of various modeling refinements, which led to a one-off reserve increase of EUR 51 million.

The Net Amount at Risk in the Japan Closed Block VA decreased compared with the first quarter of 2014 primarily due to rising equity markets in the current quarter. The number of policies decreased in line with the expected run-off of the portfolio of approximately 90% by the end of 2019.

## Consolidated Balance Sheet

- Total assets of NN Group increased by EUR 5.6 billion, on a constant currency basis, over the second quarter of 2014 to EUR 154.1 billion mainly driven by an increase in the market value of Financial assets at fair value and Available- for-sale investments
- Shareholders' equity increased by EUR 2.2 billion to EUR 16.9 billion mainly reflecting a higher debt securities revaluation reserve and the EUR 850 million capital injection from ING Group

| in EUR million                                 | 30 Jun.14      | 31 Mar.14      | 31 Dec.13 <sup>1)</sup> |  | 30 Jun.14      | 31 Mar.14      | 31 Dec.13 <sup>1)</sup> |
|--|----------------|----------------|-------------------------|--|----------------|----------------|-------------------------|
| <b>Assets</b>                                  |                |                |                         | <b>Equity</b>  |                |                |                         |
| Cash and cash equivalents                      | 6,739          | 8,114          | 7,154                   | Shareholders' equity                                     | 16,939         | 14,682         | 14,062                  |
| Financial assets at fair value through P       | 44,516         | 42,360         | 43,933                  | Minority interests                                       | 60             | 72             | 68                      |
| - trading assets                               | 645            | 769            | 736                     | <b>Total equity</b>                                      | <b>16,999</b>  | <b>14,754</b>  | <b>14,130</b>           |
| - non-trading derivatives                      | 4,436          | 3,423          | 3,126                   | <b>Liabilities</b>                                       |                |                |                         |
| - investments for risk of policyholders        | 38,822         | 37,683         | 39,589                  | Subordinated loans                                       | 3,287          | 2,890          | 2,892                   |
| - other  | 612            | 485            | 482                     | Senior debt  | 400            | 1,000          | 1,000                   |
| Available-for-sale investments                 | 67,025         | 63,684         | 61,014                  | Other borrowed funds                                     | 3,968          | 3,243          | 3,817                   |
| - debt securities                              | 60,861         | 57,801         | 55,394                  | Insurance and investment contracts                       | 116,031        | 113,836        | 111,769                 |
| - equity securities                            | 6,164          | 5,883          | 5,620                   | - life insurance provisions                              | 72,569         | 71,345         | 67,700                  |
| Loans  | 27,111         | 25,905         | 25,319                  | - non-life insurance provisions                          | 3,787          | 3,912          | 3,584                   |
| Reinsurance contracts                          | 270            | 275            | 252                     | - provision for risk of policyholders                    | 38,869         | 37,772         | 39,675                  |
| Investments in associates                      | 1,575          | 1,243          | 1,071                   | - other  | 806            | 808            | 810                     |
| Real estate investments                        | 786            | 743            | 722                     | Customer deposits  | 6,519          | 6,190          | 5,769                   |
| Property and equipment                         | 149            | 162            | 164                     | Financial liabilities at fair value through P&           | 1,859          | 1,396          | 1,843                   |
| Intangible assets                              | 383            | 382            | 392                     | - non-trading derivatives                                | 1,859          | 1,396          | 1,843                   |
| Deferred acquisition costs                     | 1,441          | 1,411          | 1,353                   | Other liabilities  | 4,995          | 4,408          | 4,071                   |
| Other assets                                   | 3,945          | 3,274          | 3,754                   |  |                |                |                         |
| <b>Total assets excl. assets held for sale</b> | <b>153,939</b> | <b>147,553</b> | <b>145,128</b>          | <b>Total liabilities excl. liabilities held for sale</b> | <b>137,059</b> | <b>132,962</b> | <b>131,161</b>          |
| Assets held for sale                           | 123            | 180            | 187                     | Liabilities held for sale                                | 4              | 18             | 24                      |
|  |                |                |                         | <b>Total liabilities</b>                                 | <b>137,063</b> | <b>132,980</b> | <b>131,185</b>          |
| <b>Total assets</b>                            | <b>154,062</b> | <b>147,734</b> | <b>145,315</b>          | <b>Total equity and liabilities</b>                      | <b>154,062</b> | <b>147,734</b> | <b>145,315</b>          |

<sup>1)</sup> The figures of 31 December 2013 have been restated to reflect the change in accounting policy, i.e. the move towards fair value accounting for Guaranteed Minimum Death Benefits for reserves of the Japan Closed Block VA as of 1 January 2014. The 31 December 2013 figures have also been restated to reflect the implementation of IFRS 11 which replaced proportional consolidation for joint ventures by equity accounting.

## Assets

### Cash and cash equivalents

Cash and cash equivalents decreased by EUR 1.4 billion to EUR 6.7 billion reflecting a EUR 0.8 billion shift to cash deposits with a maturity longer than three months, which are presented as part of loans, as well as investment of cash in other asset classes.

### Non-trading derivatives

Non-trading derivatives increased by EUR 1.0 billion to EUR 4.4 billion mainly reflecting positive revaluations on interest rate swaps as interest rates declined in the second quarter.

### Investments for risk of policyholders

Investments for risk of policyholders increased by EUR 0.7 billion, on a constant currency basis, to EUR 38.8 billion mainly due to positive revaluations. This movement is mirrored in the Provision for risk of policyholders on the liability side of the balance sheet.

### Debt securities

Debt securities available for sale increased by EUR 2.8 billion to EUR 60.9 billion, on a constant currency basis, mainly driven by higher market values as long-term interest rates declined in the quarter.

### Loans

Loans increased by EUR 1.2 billion mainly reflecting EUR 0.8 billion cash deposits with a maturity longer than three months and mortgages issued by NN Bank.

### Investments in associates

Investments in associates increased by EUR 0.3 billion to EUR 1.6 billion, mainly related to additional investments in real estate funds.

## Liabilities

### Subordinated loans

Subordinated loans increased by EUR 0.4 billion to EUR 3.3 billion. On 8 April 2014, NN Group issued a EUR 1 billion subordinated bond, the net proceeds of which were used to repay EUR 0.6 billion of subordinated debt and EUR 0.4 billion of senior debt to ING Group.

### Insurance and investment contracts

Insurance and investment contracts increased by EUR 1.5 billion on a constant currency basis to EUR 116.0 billion. This mainly reflects an increase in the provision for risk of policyholders as well as higher deferred profit sharing to policyholders following the increase of the debt securities revaluation reserve.

### Customer deposits

Customer deposits increased by EUR 0.3 billion to EUR 6.5 billion reflecting an increase in consumer savings at NN Bank during the quarter.

## Total equity

Shareholders' equity increased by EUR 2.2 billion to EUR 16.9 billion mainly driven by an increase in the debt securities revaluation reserve of EUR 1.4 billion and a EUR 850 million capital injection from ING Group into NN Group in May 2014. This was partially offset by EUR 0.7 billion higher deferred profit sharing to policyholders. The EUR 0.3 billion result for the period and EUR 0.4 billion other revaluations also contributed to the increased Shareholders' equity in the second quarter.

### NN Group: Change in shareholders' equity

in EUR million

|  | 2Q 2014       | 1Q 2014       | 4Q 2013       |
|--|---------------|---------------|---------------|
| <b>Shareholders equity beginning of period</b>                   | <b>14,682</b> | <b>14,062</b> | <b>14,719</b> |
| Net result for the period  | 252           | -215          | -157          |
| Unrealised revaluations available-for-sale investments and other | 1,325         | 1,505         | -610          |
| Realised gains/losses transferred to the profit and loss account | 38            | -18           | -58           |
| Change in cashflow hedge reserve                                 | 408           | 313           | -147          |
| Deferred interest crediting to life policyholders                | -659          | -620          | 235           |
| Remeasurement of the net defined benefit asset/liability         | -19           | -66           | -654          |
| Exchange rate differences  | 62            | 36            | -159          |
| Dividend   | 0             | -315          | -107          |
| Capital contributions  | 850           | 0             | 1,000         |
| Impact of IPO U.S.   |               |               | 0             |
| <b>Total changes</b>   | <b>2,257</b>  | <b>620</b>    | <b>-657</b>   |
| <b>Shareholders' equity end of period</b>                        | <b>16,939</b> | <b>14,682</b> | <b>14,062</b> |

### NN Group: Shareholders' equity

in EUR million

|  | 30 Jun.14     | 31 Mar.14     | 31 Dec.13     |
|--|---------------|---------------|---------------|
| Share premium/capital  | 12,140        | 11,290        | 11,605        |
| Revaluation reserve available-for-sale investments and other | 6,602         | 5,226         | 3,802         |
| Revaluation reserve cashflow hedge                           | 3,447         | 3,039         | 2,726         |
| Revaluation reserve crediting to life policyholders          | -3,858        | -3,199        | -2,579        |
| Remeasurement of the net defined benefit asset/liability     | -83           | -64           | -1,042        |
| Currency translation reserve                                 | -162          | -215          | -252          |
| Retained earnings and other reserves                         | -1,147        | -1,395        | -198          |
| <b>Shareholders' equity (parent)</b>                         | <b>16,939</b> | <b>14,682</b> | <b>14,062</b> |
| Minority interests   | 60            | 72            | 68            |
| <b>Total equity</b>  | <b>16,999</b> | <b>14,754</b> | <b>14,130</b> |
| Shareholders' equity per share in EUR <sup>1)</sup>          | 48.40         | 41.95         | 40.18         |

<sup>1)</sup> Shareholders' equity per share is calculated based on the NN Group shares outstanding as of 7 July 2014.

## Capital Management

- In July NN Group became a publicly-listed company on Euronext Amsterdam
- NN Group's capital position was further strengthened, leading to an increase of the IGD ratio to 272%, a Solvency I capital ratio of NN Life of 250% and a EUR 200 million decrease in financial leverage
- The cash capital position at the holding company increased from EUR 634 million to EUR 1,156 million
- NN Group successfully issued EUR 1 billion dated subordinated debt in April followed by EUR 1 billion undated subordinated debt in July

## IPO

On 7 July 2014, ING Group completed the sale of 77 million existing ordinary shares in the initial public offering of NN Group at EUR 20 per share. On 10 July 2014 the joint global coordinators, on behalf of the underwriters, exercised an over-allotment option to purchase 11.6 million additional existing shares in NN Group at the same price. At the time of the IPO, a first tranche of EUR 450 million of the mandatorily exchangeable subordinated notes (the pre-IPO investments from three Asian-based investment firms RRJ Capital, Temasek and SeaTown) was exchanged into NN Group shares. The remaining two tranches (together totalling EUR 675 million) will be mandatorily exchanged into NN Group shares at a later date.

The total gross proceeds from the NN Group IPO, including the exchange of the first tranche of subordinated notes into NN Group shares and the over-allotment option, amounted to EUR 2.2 billion. As a result of the above, ING's ownership in NN Group declined from 100% to 68.1%. These transactions did not impact the profit and loss account of ING Group, as NN Group continues to be fully consolidated in the financial statements of ING Group. As the IPO and the exchange of subordinated notes comprised shares only sold by ING Group, NN Group's capitalisation level was not affected.

Prior to the IPO, ING Group injected EUR 850 million of capital into NN Group. These funds were used to reduce senior debt owed to ING Group by EUR 200 million, to provide a subordinated loan to NN Life of EUR 450 million and to increase the cash capital position at the holding company by EUR 200 million.

On 7 July 2014, NN Group issued warrants to ING Group that will be exercisable for 34,965,000 (9.99%) ordinary shares of NN Group. The initial exercise price of the warrants is equal to 200% of the EUR 20.00 offer price at the time of the IPO. The warrants will be exercisable from 7 July 2015 and expire on 7 July 2024. ING Group has committed to not exercise its warrants before 7 July 2017. Furthermore, the warrants are not subject to transfer restrictions; however, ING Group entered into a 180-day lock-up arrangement with the underwriters. The warrant holders have no voting rights or rights to receive dividends.

## Capital ratio

| in EUR million   | 30 Jun. 14 <sup>1</sup> | 31 Mar. 14    |
|--|-------------------------|---------------|
| Shareholders' equity   | 16,939                  | 14,682        |
| Qualifying subordinated debt issued by NN Group to ING Group | 1,809                   | 2,394         |
| Qualifying subordinated debt issued by NN Group              | 1,000                   | 0             |
| Required regulatory adjustments <sup>2</sup>                 | -7,288                  | -6,110        |
| <b>Total capital base (a)</b>                                | <b>12,460</b>           | <b>10,966</b> |
| EU required capital (b)                                      | 4,578                   | 4,468         |
| <b>IGD Solvency I ratio (a/b)</b>                            | <b>272%</b>             | <b>245%</b>   |

1) The 30 June 2014 capital ratio is not final until filed with the regulators.

2) The 31 March 2014 IGD ratio has been updated from 249% to 245% as the eligible hybrids for IGD capital are capped at a maximum of 50% of the EU required capital base, with the additional condition that dated hybrids can be included up to a maximum of 25% of the EU required capital base.

The IGD ratio increased strongly to 272% at the end of the second quarter, mainly due to a EUR 850 million capital injection by ING Group into NN Group in May 2014 and the positive net result of EUR 252 million.



## Cash capital position at the holding company

| in EUR million                                    | 2Q14         | 1H14         |
|---|--------------|--------------|
| <b>Beginning of period</b>                        | <b>634</b>   | <b>1,363</b> |
| Cash divestment proceeds                          | 4            | 181          |
| Capital flow from / (to) shareholders             | 850          | 674          |
| Increase / (decrease) in debt and loans           | -200         | -200         |
| Dividends from subsidiaries <sup>1</sup>          | 373          | 446          |
| Capital injections into subsidiaries <sup>2</sup> | -485         | -1,210       |
| Other <sup>3</sup>                                | -18          | -97          |
| <b>End of period</b>                              | <b>1,156</b> | <b>1,156</b> |

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

1) Includes interest on subordinated loans paid by subsidiaries to the holding company

2) Includes the change of subordinated loans issued by subsidiaries to the holding company

3) Includes interest payments on NN Group subordinated loans and debt, holding company expenses and other holding company cash flows

The cash capital position at the holding company increased from EUR 634 million at the end of the first quarter to EUR 1,156 million at the end of the second quarter. This increase was mainly attributable to dividends received from subsidiaries and the pre-IPO capital transactions. The cash capital at the holding company was EUR 1,363 million at the end of the fourth quarter of 2013 and was temporarily high, pending a capital injection of EUR 600 million into NN Life which was executed in February 2014 by way of subordinated debt. The holding company received dividends from subsidiaries of EUR 446 million in the first half of the year.

## Capital generation

|   | 30 Jun. 14     |                   |   | 31 Dec. 13     |                   |   | Change 6M 2014                                    |                                     |                    |
|---|----------------|-------------------|---|----------------|-------------------|---|---|-------------------------------------|--------------------|
|   | Solvency Ratio | Available Capital | Available over Minimum Required Capital | Solvency Ratio | Available Capital | Available over Minimum Required Capital | Change of Available over Minimum Required Capital | Of which capital flows <sup>1</sup> | Capital Generation |
| (%, EUR millions)   |                |                   |   |                |                   |   |   |                                     |                    |
| Total of subsidiaries (excluding discontinued operations) | n.a.           | 12,295            | 7,621                                   | n.a.           | 11,379            | 6,847                                   | 774   | 766                                 | 8                  |
| of which NN Life  | 250%           | 7,029             | 4,218                                   | 223%           | 5,876             | 3,247                                   | 971   | 1,039                               | (68)               |

Note: Capital generation for subsidiaries (excluding discontinued operations) is defined as the change of available over minimum required capital, excluding capital flows, according to local regulatory capital framework - figures are not final until filed with the regulators.

<sup>1</sup> Capital flows reflect capital injections (including subordinated loans) net of dividends (including interest on subordinated loans) for all subsidiaries (excluding discontinued operations)

The capital generated by subsidiaries was EUR 8 million over the first half year of 2014. This included the impact of the agreement to make ING's closed defined benefit pension plan in the Netherlands financially independent (EUR -406 million) and the impact for ING Re Netherlands resulting from the move towards fair value accounting on the reserves for the Guaranteed Minimum Death Benefit (GMDB) of the Japan Closed Block VA business (EUR -94 million). Excluding these non-recurring items, the capital generation during the first six months of 2014 was EUR 507 million, mainly supported by operating performance and favourable financial markets, partly offset by the impact of model and assumption changes and other variances.

The Solvency I ratio of NN Life improved from 223% to 250% over the first half of 2014, supported by the issuance of EUR 1,050 million subordinated debt to NN Group, favourable market movements and operating performance, partly offset by model and assumption changes and the impact of the pension agreement (EUR -231 million). Excluding the pension impact, the capital generation of NN Life over the first half of 2014 was EUR 163 million.

## Financial leverage

| in EUR million                                      | 30 Jun. 14    | 31 Mar. 14    |
|---|---------------|---------------|
| Shareholders' equity                                | 16,939        | 14,682        |
| Revaluation reserve debt securities                 | -5,489        | -4,105        |
| Revaluation reserve crediting to life policyholders | 3,858         | 3,199         |
| Revaluation reserve cash flow hedge                 | -3,447        | -3,038        |
| Goodwill  | -265          | -264          |
| Minority interests                                  | 60            | 72            |
| <b>Capital base for financial leverage</b>          | <b>11,656</b> | <b>10,546</b> |
| Subordinated debt                                   | 3,287         | 2,890         |
| Financial debt                                      | 400           | 1,000         |
| <b>Financial leverage</b>                           | <b>3,687</b>  | <b>3,890</b>  |
| <b>Financial leverage ratio</b>                     | <b>24%</b>    | <b>27%</b>    |
| <b>Fixed-cost coverage ratio<sup>1</sup></b>        | <b>6.5x</b>   | <b>5.6x</b>   |

<sup>1</sup>) Calculated on last 12-month basis.

The financial leverage ratio of NN Group decreased to 24% at the end of the second quarter. The capital base for financial leverage increased by EUR 1.1 billion, mainly driven by a pre-IPO EUR 850 million capital injection from ING Group and the second-quarter net result of EUR 252 million. The financial leverage decreased by EUR 200 million following the repayment of senior debt owed to ING Group.

The fixed-cost coverage ratio further improved to 6.5x at the end of the second quarter (on a last 12-months basis) versus 5.6x at the end of the first quarter of 2014. The improvement was mainly due to increased profitability and reduced debt levels.

On 8 April 2014, NN Group issued EUR 1 billion dated subordinated debt with a maturity of 30 years and callable after 10 years and every quarter thereafter (subject to regulatory approval). The coupon is fixed at 4.625% per annum for the first 10 years and will be floating thereafter. The net proceeds were used to repay EUR 0.6 billion of subordinated debt and EUR 0.4 billion of senior debt to ING Group. The debt is rated by Standard & Poor's (BBB-) and Moody's (Baa3) and is listed on Euronext Amsterdam.

On 15 July 2014, NN Group issued EUR 1 billion undated subordinated debt which is callable after 11.5 years and every quarter thereafter (subject to regulatory approval). The coupon is fixed at 4.50% per annum for the first 11.5 years and will be floating thereafter. The net proceeds were used to repay subordinated debt to ING Group. The debt is rated by Standard & Poor's (BBB-) and Moody's (Baa3) and listed on Euronext Amsterdam.

## Ratings

On 2 June 2014, Standard & Poor's published a report on NN Group leaving the rating unchanged at BBB+ with a developing outlook, while the combination of strong Enterprise Risk Management and satisfactory Management & Governance improved the anchor by one notch to obtain the group credit profile of 'a+'.

Moody's latest rating on NN Group is Baa2 with a negative outlook (26 March 2014).

On 8 July 2014, Fitch confirmed NN Group's rating at A- with stable outlook.

| Main credit ratings of NN Group N.V. at 06 August 2014 | Rating | Outlook    |
|--|--------|------------|
| Standard & Poor's                                      | BBB+   | Developing |
| Moody's  | Baa2   | Negative   |
| Fitch  | A-     | Stable     |



## NN Group Profile

NN Group is an insurance and investment management company with a strong, predominantly European presence in more than 18 countries. With around 12,000 employees the group offers retirement services, insurance, investments and banking to more than 15 million customers. NN Group includes Nationale-Nederlanden, ING Insurance Europe, ING Investment Management and ING Life Japan, and is listed on Euronext Amsterdam (ticker: NN).

## Financial calendar 2014

Publication 3Q2014 results: Wednesday, 5 November 2014.

## Press conference and webcast

A press conference will be held at 9.30am CET on Wednesday 6 August 2014 at NN Group's head office, Amstelveenseweg 500, Amsterdam. The press conference will also be webcasted live. You can join in listen-only mode on + 31 20 531 5863 or watch the webcast on [www.nn-group.com](http://www.nn-group.com).

## Investor conference call and webcast

Lard Friese and Delfin Rueda will host an analyst and investor conference call to discuss the 2Q14 results on 6 August 2014 at 12:00 p.m. CET. Members of the investment community can join the conference call at +31 20 531 5865 (NL), +44 203 365 3210 (UK) or +1 866 349 6093 (US) and via live audio webcast at [www.nn-group.com](http://www.nn-group.com).

## Contact information

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## Additional information

The following documents are available on [www.nn-group.com](http://www.nn-group.com):

- NN Group Financial Supplement
- NN Group Analyst Presentation
- NN Group Press Presentation
- NN Group Condensed consolidated interim financial information for the period ended 30 June 2014

## Important legal information

NN Group's Annual Accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU").

In preparing the financial information in this document, the same accounting principles are applied as in the NN Group N.V. condensed consolidated interim financial information for the period ended 30 June 2014. All figures in this document are unaudited. Small differences are possible in the tables due to rounding.

Certain of the statements contained herein are not historical facts, including, without limitation, certain statements made of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation: (1) changes in general economic conditions, in particular economic conditions in NN Group's core markets, (2) changes in performance of financial markets, including developing markets, (3) consequences of a potential (partial) break-up of the euro, (4) the implementation of the EC Restructuring Plan, (5) changes in the availability of, and costs associated with, sources of liquidity as well as conditions in the credit markets generally, (6) the frequency and severity of insured loss events, (7) changes affecting mortality and morbidity levels and trends, (8) changes affecting persistency levels, (9) changes affecting interest rate levels, (10) changes affecting currency exchange rates, (11) changes in investor, customer and policyholder behaviour, (12) changes in general competitive factors, (13) changes in laws and regulations, (14) changes in the policies of governments and/or regulatory authorities, (15) conclusions with regard to accounting assumptions and methodologies, (16) changes in ownership that could affect the future availability to us of net operating loss, net capital and built-in loss carry forwards, (17) changes in credit and financial strength ratings, (18) NN Group's ability to achieve projected operational synergies and (19) the other risks and uncertainties detailed in the Risk Factors section contained in the most recent annual report of ING Groep N.V.

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.